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China Report

ECONOMIC AFFAIRS

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15 August 1985

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NATIONAL POLICY AND ISSUES

JINGJI YANJIU REVIEWS CHINA'S ECONOMIC THEORIES

HK221345 Beijing JINGJI YANJIU in Chinese No 6, 20 Jun 85 pp 3-15

[Summary of Academic Symposium by JINGJI YANJIU reporter: "China's Socialist Economic Theories in Retrospect and Prospect"]

[Text] An academic symposium entitled "China's Socialist Economic Theories in Retrospect and Prospect" was held in Beijing from 2 May through 6 May. This symposium was jointly sponsored by the Economic Institute of the Chinese Academy of Social Sciences and the Editorial Department of JINGJI YANJIU to mark the 30th anniversary of JINGJI YANJIU. A total of 165 representatives from 29 provinces, municipalities, and autonomous regions and from Hong Kong, attended this symposium. Among them were cadres of leading economic departments at different levels, researchers specializing in economic theories, economics teachers of universities and colleges, economic editors of newspapers, periodicals and publishing houses, journalists, leading cadres of grassroots level enterprises, and research students of economics. State Councillor and President of the Bank of China Chen Muhua and other leading comrades attended the opening ceremony. Liu Guoguang [0491 0948 0342], vice president of the Chinese Academy of Social Sciences and concurrently director of its Economic Institute and Editor-in-Chief of JINGJI YANJIU, delivered the opening speech. Noted economists of the older generation Chen Diasun [7115 1486 1327], Xu Disin [6079 3321 2450] and Yu Guangyuan [0060 0342 6678]; and Sun Shangqing [1327 1424 3237], deputy secretary-general of the Chinese Academy of Social Sciences, spoke at the opening ceremony. During the ceremony, prizes were given for outstanding articles on economic theories written by middle-aged and young writers for JINGJI YANJIU.

The symposium reviewed the progress made in China's socialist economic theories and the experience and lessons gained in this respect since the founding of the PRC. Opinions were also exchanged on questions of economic theories that call for more attention to the future and the direction in which research in economic theories should further develop.

The Four Stages of Development in the Work Done in the Way of Economic Theories Since the Founding of the PRC and the Two Basic Requirements for Economic and Scientific Development

The participants held that, by and large, work done in the way of economic theories in the 35 years since the founding of the PRC had contributed significantly to China's socialist construction. In retrospect, such work had roughly gone through four stages. 1. The period between the founding of the PRC and the mid 1950s was basically a stage for the study and popularization of Marxist socialist political economics. Around the time JINGJI YANJIU started publication in 1955, economists began to probe into socialist economic theories in the light of the practice of China's socialist transformation. 2. During the period between the mid-1950s when socialist transformation was basically completed and the early 1960s, research in socialist economic theories was further integrated with China's actual conditions and considerable progress was made both in range and in quality. Between 1956 and 1957, economists stressed the study of commodity production, the law of value, and other issues. During the discussion, some perceptive economists were already able to analyze, on a theoretical level, certain drawbacks in the traditional economic structure that were beginning to reveal themselves. They also proposed ways in which the structure could be improved. In 1959, against the backdrop of summing up the experience and lessons of the "Great Leap Forward," economics circles launched extensive discussions on questions like commodity production, the law of value, distribution according to work, speed and proportion. In the early 1960s when the 8-character policy of "readjusting, consolidating, filling out and raising standards" was implemented, economists devoted special efforts to unfolding discussions on the three issues of economic accounting, economic results, and socialist reproduction. These discussions contributed positively to the implementation of the 8-character policy and put forward certain theoretical questions of a regular nature in socialist construction. Research in economic theories became increasingly important to economic practices. However, after the Fall of 1962, realistic research in economic theories encountered difficulties because "taking class struggle as the key link" was given greater and greater emphasis throughout the country. 3. During the 10 years of the "Cultural Revolution," research in economic and scientific theories came to a complete standstill. Economic circles received a crippling blow and economic theories were completely perverted. 4. After the smashing of the "gang of four," particularly after the 3d Plenary Session of the 11th CPC Central Committee put forward the policy of emancipating the mind and seeking truth from facts and switched the focus of the work of the whole party and country to economic construction, economic circles were given a new lease of life and the economy and science vigorously developed. In close conjunction with the practice of socialist modernization, a series of important issues were explored in economic theory research. These important issues included economic and social development strategies; the economic structure; the goal and patterns of the reform of the economic system; the structure of ownership in a socialist society; the socialist commodity economy and the law of value; planning and marketing in the socialist economy; distribution according to work; the

aim of socialist production; socialist reproduction and circulation; the reform of the pricing, wage, financial, monetary and foreign trade systems; the theoretical basis for opening to the outside world and so on. They also opened many new disciplines of economics. Whether in terms of the scope of research or in terms of the depth of theories, progress achieved in this stage was unprecedented.

Looking back over the course of economic theory research since the founding of the PRC, the participants deeply felt that in order to ensure the healthy development of Marxist economics, two basic requirements must be met. 1. The style of integrating theory with practice in study. 2. A free atmosphere of discussion with a hundred schools of thought all contending at the same time. The policy of emancipating the mind and seeking truth from facts resolved these questions from the perspective of the ideological line. This was an important guarantee for the prosperity of the economy and science.

The participants extensively expressed their opinions on questions of socialist economic theories. Particular attention was paid to discussing the following question:

The Question of Ownership in a Socialist Society

The participants emphatically pointed out that the question of ownership is the fundamental theoretical issue of political economics and is an important practical issue that cannot be avoided in the reform of the economic system.

In the 1950s, our research into the socialist transformation of the system of ownership had Chinese characteristics and was fruitful. However, after the socialist transformation was basically completed, research into the question of ownership was confined to a smaller and smaller scope. On the theoretical plane, we were constrained by Stalin's concept of ownership. We only recognized ownership by the whole people (actually it only referred to state ownership) and collective ownership as the two forms of socialist ownership, believing that the latter was the only economic basis of the socialist society. In practice, we went after organizational forms that were "larger in size and had a higher degree of public ownership," "transition through poverty" and a single form of ownership. We limited the scope of ownership to a matter of the ownership of the means of production, limited collective ownership to the transitional form between individual ownership to state ownership, and limited state ownership to the highest form of socialist ownership which cannot be further developed. We did not recognize the fact that the socialist system of ownership by the whole people had its own process of development. We only focused our attention on the extension of the denotation of the socialist system of ownership, that is, the enlargement of the scope of owners, and slighted the development of its connotation, that is, the raising of the degree to which laborers truly acted as masters of the country in the system of socialist relations of production. In the early 1960s, one or two economists questioned whether or not the ownership of the means of production can be separated from the possession, allocation, and use of these goods under the system of ownership by the whole people, and whether or not ownership can be separated from the power of operation.

However, their opinions were not taken seriously. It was even argued that if we say they could be separated, then the system of ownership by the whole people would exist in name only. The weakness of theoretical research on ownership make it impossible to find answers for a number of complicated problems in actual economic life. During the decade of turmoil, the "gang of four" seized on this theoretical gap to advocate the subjective idealist fallacy that "the power of leadership determines the nature of ownership, and created great confusion in the theory and practice of ownership. After the smashing of the "gang of four," economists proceeded from the criticism of this kind of fallacy to put things right in relation to the theory of ownership. After the 3d Plenary Session of the 11th CPC Central Committee, following the development of the actual reform of the economic system, economists further broadened and deepened the scope of research on ownership and made great progress in theoretical studies. This played an important role in promoting socialist practice.

The participants enumerated the progress made in the theory of ownership over the years and put forward problems concerning ownership that required further research.

Concerning the understanding of the scope of ownership, more and more people have cast off the narrow-minded idea that ownership was merely a matter of who owned the means of production and paid attention to studying the question of ownership in the light of the entire system of the relations of production. However, views are still divergent on whether the proposition that ownership is the sum total of the relations of production implies that ownership is a synonym for relations of production, or whether ownership is a more intrinsic relation of production than specific relations of production, exchange, and distribution in the system of production relations. Taking further steps to scientifically and precisely explain the meaning of the scope of ownership will have great significance in terms of methodology in studying and answering questions of ownership that have arisen in practice.

The establishment of the structural concept of ownership in the socialist society has done away with the concept that there can only be a unitary system of public ownership in the socialist society. If we recognize the pluralistic nature of ownership in the socialist society, we will be able to pave the way for the rational disposition of ownership which has socialist public ownership as the main body and which includes non-socialist ownership which is conducive to the development of the productive forces, and promote the readjustment and reform of the ownership structure in our country. However, the rational disposition of ownership is a very complicated issue. It requires continuous study in the light of China's conditions. The inevitability of the existence of a particular form of ownership and its nature are two separate issues that require studying. However, while recognizing that a particular form of ownership has its grounds in the social production forces, we must study its nature and its present and future economic and social results strictly according to the facts in order to formulate appropriate policies in leadership work in the economic field.

The putting forward of the question of the development of the form of socialist ownership and the establishment of the concept of the pluralistic nature of the form of socialist ownership have broken down the static and ossified concepts regarding socialist public ownership and removed ideological obstacles to the study of the varied and vigorous development of the forms of socialist ownership. Practice in the reform of the economic system has already enabled socialist ownership to develop beyond the two forms of public ownership, namely state ownership and collective ownership, and a diversified socialist ownership system that is suited to China's social productive forces is taking shape. Toward every new form of ownership that has developed in the course of practice, we must conscientiously observe the conditions of its emergence, its actual internal relations of production and its trend of development, and make a scientific summary on the theoretical level, and should mechanically apply existing concepts about the two public ownership systems to it.

The debate on the system of ownership by the whole people touches on a series of theoretical questions concerning the connotative development of socialist public ownership. These questions include: Does it matter whether laborers and the means of production are directly or indirectly combined with the framework of society under the socialist system of ownership by the whole people? Does this kind of direct combination exist as an unalterable state, or is it a gradual process of development from immaturity to maturity and from imperfection to perfection? Does ownership by the whole people imply that laborers can only perform simple labor at the instruction of a social center, or does it imply that all laborers can directly manage socialized economic activities through various forms and procedures under the coordination and guidance of society? Does socialist public ownership in fact embody Marx's idea of "re-establishing individual ownership"? Under the system of ownership by the whole people, are ownership and possession, allocation and use absolutely inseparable, can they be partially separated, or will they inevitably be separated? Is state ownership the one and only form of socialist ownership by the whole people? Under the system of ownership by the whole people, must the state directly control the deployment of the manpower and financial and material resources of enterprises as well as their activities of production supply, and marketing? Are the economic functions of the state one and the same thing as state ownership or state management? Must state-owned units be state-run? Is the present system of state ownership a complete system of socialist ownership by the whole people, or a socialist system of ownership that cannot be precisely expressed with the concept of ownership by the whole people? Is the incomplete nature of ownership by the whole people expressed in the fact that it contains an element of collective ownership which is different to its very nature? The putting forward of these questions and the discussions subsequently conducted reflected the deepening of the research into the system of socialist public ownership and the strengthening of the integration of this research with reality. Although views are still divergent on these questions, further discussions will be held in the future. Discussion is yet to be conducted on the recently surfaced question of whether or not the joint-stock system is a feasible form under the system of ownership by the whole people. The

following questions also need to be studied: How the forms of ownership can contribute to coordinating the short-term and long-term activities of enterprises and to dovetailing the aims of enterprises with those of society; how enterprises can be made to shoulder investment and operational risks and bear insolvency liabilities; whether there are any quantitative limits to the distribution of income derived by state-owned enterprises from leasing and contracting, and whether the surpassing of given quantitative limits will lead to changes in the nature of ownership.

Since 1979, research on the question of collective ownership in cities and towns has been strengthened, the former situation where theoretical research in this field was virtually ignored has been changed, and theoretical breakthroughs have been made. Among the important breakthroughs are: We have negated the concept that collective ownership is only suitable for manually operated productive forces and put forward the concept that collective ownership can accommodate productive forces at different levels of development, from manual labor to modern productive forces. We have negated the concept that collective ownership will invariably make the transition to state ownership and made it clear that collective ownership should not make the transition to state ownership. We have negated the misconception that the change from enterprises assuming sole responsibility for their own profits and losses to departments in charge assuming unified responsibility for profits and losses was a "progressive" move, and advocated that management autonomy be granted, that enterprises assume sole responsibility for their own profits and losses, and that the nature of collective ownership be restored. This progress on the theoretical level has a positive impact on the practice of restoring and developing the collective economy in cities and towns. However, views are still divergent on a number of important questions. For example, some people advocated that enterprises contracting jobs from departments in charge should be taken as the goal of the reform of the collective economic system in cities and towns. Others argued that this kind of contracting was in conflict with the nature of collective ownership and advocated that management autonomy and responsibility for one's own profits and losses inherent in the nature of collective ownership be fully restored. In this connection, it is necessary to continue with our discussion on questions such as whether or not federations of cooperatives should develop into economic entities. At present, the development of the collective economy in cities and towns and its structural reform are still beset with obstacles. It is particularly important that we organize forces to carry out systematic investigation, comparison, and analysis on different types of collective economy in cities and towns, draw the necessary conclusions, and offer proposals for the systematic solution of problems relating to its system and policies.

The practice of rural reform, which started with the system of contracted responsibilities with payment linked to output, has systematically broken with traditional ideas about collective ownership in the rural areas. In our research on economic theories, we have summed up rich new experience furnished by practice, studied afresh and developed Marxist-Leninist theories on the cooperative system, done away with outmoded concepts of closed regional

cooperation based on the natural economy which was characterized by the "integration based on the natural economy which was characterized by the "integration of government administration with commune management and three-level ownership by the commune, the production brigade, and the production team," and established the new concept of open cooperation that combines specialization with socialization and commercialization. New topics demanding prompt study and research include the trend of development of the socialist cooperative system based on the commodity economy, as well as its ties with the household economy and with, self-employed households and private enterprises in the rural areas.

The Question of Socialist Commodity Economy

The question of the socialist commodity economy is a question of socialist economic theories that has seen the most prolonged discussion since the founding of the PRC and over which significant headqay has been made. At the same time, it is a theoretical and practical issue with a series of difficult points awaiting further probing. This question has attracted so much concern because it is directly related to the basis on which the model of the socialist economic system is to be selected.

The participants reviewed the different stages of the discussion of the question of the commodity economy over the past 30 years and more. The first stage saw discussion touched off by the basic completion of socialist transformation in 1956. The positive tendency of this discussion was the affirmation of the existence of commodity production and the role of the law of value within the socialist economy. In one or two articles, the authors even repudiated the viewpoint put forward by Stalin that the coexistence of the two types of public ownership, that is, state and collective, determined commodity production. They put forward the viewpoint that the economic accounting system and distribution according to work are the reasons for the existence of commodity relations between enterprises and between the state and the individual with the sector owned by the whole people. For example, some authors said that under the economic accounting system, because state-owned enterprises must still treat one another as relatively independent economic units, there exist special relations of commodity exchange between them. Some authors even unequivocally advanced the concept that the economic accounting system is responsible for the existence of commodity production within the socialist economy and that the socialist economy is a union of opposites, namely the planned economy and economic accounting. They noted that within the socialist planned economy, the role of the law of value in automatically regulating economic life in society through the economic accounting system should not be rejected, pricing should become the principal means of readjusting production, and payment for labor should be closely linked with the profits and losses of enterprises. However, this concept of automatic regulation was criticized as revisionist during the anti-rightist movement. The theory of "putting planning and staistics on the foundation of the law of value" was also put forward during the 1956 discussion. However, this theory did not receive too much attention at that time. The generally accepted theories were: The socialist economy is regulated by state plans and the law of value can only be used to play

a supporting role under restricted conditions. This discussion broke off in 1957 on account of the anti-rightist movement. When the "communist wind" was shipped up in 1958, some people entertained the thought of abolishing commodity production and commodity exchange.

Against the backdrop of the rectification of the mistakes of the "Great Leap Forward" between 1959 and the early 1960s, economists whipped up a second round of discussion on the question of the commodity economy. A characteristic feature of this discussion was that it emphasized the idea that commodity production and commodity exchange not only will not quickly wither away but will be vigorously developed for a long historical period. During the discussion, many more arguments were put forward to explain the existence of commodity production under the socialist system. The main point of argument was whether or not there existed commodity relations with the sector of the economy owned by the whole people. Some people proceeded from the disparity in interests between different enterprises in their capacity as relatively independent economic entities to find the roots of commodity relations within the sector owned by the whole people. Others proceeded from the partial ownership of enterprises, or from the ownership of labor force or labor by individuals to find these roots. Most people who took part in the discussion took social division of labor as the set prerequisite of the commodity economy. However, one or two authors maintained that social division of work was the only root of the commodity economy and that the planned commodity economy was a special feature of the social commodity economy. Some authors emphatically pointed out that the law of value and the planned economy were mutually exclusive. They criticized those who saw the roles of the law of value and the law of planned development as the black and white shapes on a "taiji" (the ultimate absolutes) diagram, with the thick end of one coinciding with the thin end of the other. However, the viewpoint that the law of value must be restricted and cannot play a regulatory role was still the dominant and popular viewpoint at that time. In the mid 1960s, against the political background of "taking class struggle as the key link," the trend of thought that the development of commodity production and the role of the law of value will inevitably produce spontaneous capitalist tendencies gained ground. During the decade of turmoil, the idea of restricting commodity-money relations was dominant. In a situation where research on and discussion of economic theories were completely stopped, the fallacy fabricated by the "gang of four" that the commodity economy was the soil for capitalism ran rampant.

After 1979, research on and discussion of the theory of the socialist commodity economy far exceeded the previous two rounds of discussions in breadth and in depth and acquired a new life. A special feature of this discussion was that theoretical exploration was closely integrated with the practice of the reform of the economic system, and the question of the operating mechanisms of the commodity economy began to catch people's attention. In 1979, inspired by the spirit of the 3d Plenary Session of the 11th CPC Central Committee which was just over, economists achieved a series of theoretical breakthroughs on the question of the commodity economy. For example, they affirmed that the socialist economy was also a commodity economy and that the

socialist planned economy must take the socialist commodity economy and the law of value as its basis. This means that if we accept the commodity economy, we must also accept the regulatory role of the law of value; if we accept the market mechanism, competition and pricing, we must reflect value and the supply-demand situation. They affirmed the position of socialist enterprises as commodity producers, and turned enterprises from the "beads of an abacus" manipulated by state administration department into organic bodies that can automatically adjust themselves according to the law of value under macroeconomic control. Some authors even explicitly asserted that "the socialist economy is a planned commodity economy based on public ownership." Discussion continued in the few years that followed. Although opinions were quite divergent, and at times brief spells of stagnation appeared in theoretical research and discussion, the gradual deepening of theories was an irreversible general trend. The scientific summary that the socialist economy is planned commodity economy based on public ownership put forward in the "Decision of the CPC Central Committee on the Reform of the Economic Structure" adopted at the 3d Plenary Session of the 12th CPC Central Committee, as well as the relating systematic breakthroughs in traditional concepts that no longer conformed with reality, are the correct summing up of the practical experience of socialist construction and the crystallization of the splendid collective results of research on economic theories over the years.

This "Decision" adopted by the 3d Plenary Session of the 12th CPC Central Committee pushed the theory of the socialist commodity economy to a new height and ushered research on this theory into a new stage. Besides basic theoretical questions that have a direct bearing on the socialist commodity economy, economists must also work out solutions to questions on how to truly shift the entire economic system onto the foundation of the socialist commodity economy in practice. The following are some of the questions confronting economists:

1. Affirmation of the notion that the socialist economy is a planned commodity based on public ownership implies that we must acknowledge that the socialist economy is by and large a commodity and must not merely acknowledge in general terms that there exist commodity-money relations under the socialist system. In discussions in recent years, some people maintained that the commodity economy is the foundation of the planned commodity economy. Others argued that the planned economy is the foundation. Still others advocated the juxtaposition of the planned economy and the commodity economy. Which of these interpretations better conforms with reality and can correctly reflect the intrinsic or basic characteristics of the socialist economy? What is the effect of different interpretations on the selection of the model for the economic system?
2. What are the grounds for saying that the socialist economy is by and large a commodity economy? A fairly popular standpoint in discussions in recent years was to proceed from the disparity in economic interests between socialist enterprises to prove that the socialist economy is a commodity economy. Some people went a step further and argued that the disparity in partial interests between enterprises determined that they were tied to each other

by commodity relations, and that the cohesion of the fundamental interests of all laborers in society determined the planned development of the economy. If this is true, can we make the inference that disparity in interests finds expression in the commodity economy, while cohesion of interests finds expression in the product economy, and therefore claim that a planned commodity economy is an economy that has the dual nature of the commodity economy and the product economy? Even if we leave the discussion of this question aside, the notion that economic interests themselves are manifestations of ownership and the reason for the existence of disparity in economic interests between socialist enterprises have yet to be proved. Some people proceeded from the essential disparity in labor to prove their point, but the answer they gave did not tell us why the essential disparity in labor produced disparity in interests between socialist enterprises instead of disparity in interests between capitalist enterprises. Others proceeded from the notion that socialist enterprises are relatively independent economic entities to prove their point, but then the notion itself has yet to be proved. Still others did not directly proceed from disparity interests but proceeded from the nature of socialist labor to illustrate the roots of the socialist commodity economy. The notion that socialist labor is direct social labor, which was generally accepted in the past, was unable to stand the test of socialist practice. At present, [words indistinct] think that socialist labor is not direct social labor, others hold that socialist labor is direct social labor in a partial sense. The supporters of these two viewpoints have to answer queries raised by the opposite party. Supporters of the former viewpoint must answer the question of whether or not socialist labor is integrated labor, whereas supporters of the latter viewpoint must answer the question of whether or not the socialist commodity economy is an incomplete commodity economy. It looks as though the question of direct social labor requires special discussion. People who attempted to proceed from the ownership system to explain the roots of the socialist commodity economy also put forward different viewpoints. For example, some based their arguments on the assertion that the socialist system of ownership by the whole people includes factors of a collective ownership or group nature; others based their arguments on the separation of ownership from possession, allocation, and use; still others based their arguments on the ways in which laborers and the means of production were integrated. Again, these have to be resolved through the above-mentioned special research on the question of ownership. In addition, some people hold that social division of labor constitutes the full conditions for commodity production, and that socialist division of labor itself implies division of work between different owners. But then again they have to answer the question of what exactly are the relations between social division of labor and socialist ownership.

3. The commodity economy is a product of the development of social productive forces as well as a condition for their further development. Social division of labor is the prerequisite for the existence of the commodity economy, and the commodity economy in turn is the condition for the development of social division of labor. Under the guidance of "leftist" ideas, we adopted a negative attitude toward social division of labor under the

socialist system. To this day we are still handicapped by the underdevelopment of social division of labor. In our society, how can the commodity economy and the development of social division of labor promote each other? What impact does the development of social division of labor have on economic results and what is the likely outcome in society? These and others are questions that merit further research.

4. The behavior pattern of enterprises is conditioned by the economic system as a whole. In order to select the behavior pattern of enterprises that we hope to implement after the structural reform, we must study the position of the planned commodity economy in socialist enterprises and the short- and medium-term behaviors of enterprises conditioned by this factor. It appears that the extent to which enterprises woned by the whole people [word indistinct] as relatively independent economic entities depends on how the surplus products are divided and who does the dividing. It also depends on whether an enterprise has the power to make policy decisions regarding investment in addition to the [word indistinct] to make decisions on matters of production and operation, as well as whether investment risks are shouldered by the state, by the enterprise, or jointly shouldered by the state and the enterprise. In order to ensure that pricing can truly play its role as the principal lever for regulating the economy, so that enterprises as commodity producers and dealers can unfold economic activities in a normal way after receiving pricing signals, must we have a supporting market structure, which includes the commodity market, labor market, funds market, technology market, and information market? This question, and questions like whether or not the labor contract system and the flow of human resources imply the formation of a labor force market, whether or not people living on interests will emerge when the funds market is opened, and if so, what countermeasures the state should adopt, all require thorough research.

5. While there is every need to study the peculiar nature of the socialist commodity economy, we must also attach importance to studying the general character of the commodity economy. We should anticipate the possible economic and social outcomes of the development of the commodity economy, be they positive or negative, and consciously make appropriate countermeasures. After socialist enterprises have become commodity producers and dealers who enjoy management autonomy and assume sole responsibility for profits and losses, we must pay attention to the efficiency and economic results of enterprises. The social security function formerly shouldered [word indistinct] enterprises will inevitably be transferred to state or social institutions. Thus, the social security system under the socialist commodity economy is an important question for us to study. In addition, whether there are inexorable links between the commodity economy and commodity fetishism, and whether commodities, currency, and capital fetishism exist under the planned commodity economy, are also theoretical questions that require further clarification.

6. Research on the questions of how the reform of the entire economic system and the reform of the production, circulation, and distribution links should be planned in order to meet the needs of the development of the planned commodity economy, what obstacles need to be eliminated in the course of

reform, and what precautionary measures should be taken against possible problems, is insufficient and needs to be strengthened.

The Question of the Relations Between Planning and Marketing Within the Socialist Economy

The participants pointed out that the question of the relations between planning and marketing within the socialist economy was a kernel question in the reform of the economic structure. Although Chinese economists did not discuss this question as an independent issue until after the 3d Plenary Session of the 11th CPC Central Committee, this question is nevertheless the continuation and development of long years of discussions on the questions of the socialist commodity economy and the law of value. Important headway has been made in discussion over the last 6 years. However, it must be admitted that our exploration in this field is still at a preliminary stage in terms of breadth and depth.

The progress which the participants considered worth enumerating mainly included the following: We have broken with the traditional concept that planning and marketing are mutually exclusive, recognized that planning and marketing can be integrated within the socialist economy, and raised the level of our understanding on this from "plate-type integration" to "infiltration-type integration" and "colloid-type integration." We have broken with the idea that mandatory planning is the basic indication of the socialist planned economy, accepted the concept that mandatory planning is the inherent requirement and embodiment of economic relations within the sector owned by the whole people, and affirmed the idea that the practice of the planned economy does not mean that mandatory planning will play a key role. We have broken with the narrow-minded approach of restricting the planned management of the national economy to mandatory planning, accepted the trend of systematically narrowing the scope of mandatory planning and extending the scope of guidance planning, brought the application of economic levers into line with planned management, and widened the scope of planned management.

The participants also suggested a number of questions that required research.

1. The question of the regulatory mechanism of the planned commodity economy. Some people held that this kind of regulatory mechanism was the organic integration of incomplete direct planning mechanism and incomplete market mechanism, maintaining that it meant varying degrees of the integration of two incomplete regulatory mechanisms at different levels within the same sphere rather than plate-type integration in which planning and marketing were classified as two spheres. Others held that under the planned commodity economy, both the planning mechanism and the market mechanism are based on the commodity economy, and their integration is like milk mingling with water, with "you in me" and "me in you." Still others held that the integration of the planning mechanism and the market mechanism is in essence an integration of form and content, with the former residing in the latter. There were also people who held that the regulatory mechanism

of the socialist commodity economy means market regulation controlled by planned market mechanism or planning. It is also held that the regulatory mechanism of the planned commodity economy is an organic integration of the state making use of economic levers to regulate the market mechanism and the market mechanism regulating the activities of enterprises. Apparently the solution of this question depends on specific steps to study the question of the movement of the socialist commodity economy, and conclusions are to be drawn from concrete analysis of economic movements.

2. The question of the position of mandatory planning in the planned commodity economy. The overwhelming majority of discussants agree that the gradual narrowing of the scope of mandatory planning will be a long-term trend of development. However, there are different ideas as to how small the scope will eventually become and how the scope is to be gradually reduced. One concept is that although the scope of mandatory planning is to be gradually reduced, it cannot be abolished, and major macroeconomic proportions still have to be regulated by means of mandatory planning. Another concept is that the scope of mandatory planning may be reduced to the minimum, but the state must still retain the right to use mandatory planning. The reason given is that there are bound to be errors in economic life, and when things get out of control, mandatory planning may serve as a "brake." Still another concept is that except for one or two products, mandatory planning with targets in kind should be basically abolished. This should be done gradually through the following transitional processes:

1. Mandatory planning should first withdraw from the sphere of production and enter the sphere of circulation. 2. The present two-price system for a single product should be gradually changed to a one-price system. 3. The two types of regulation channels should gradually be replaced by a single channel of regulation through the market. There are also people who suggest that we should study the theoretical question of the "dual structure" in which both mandatory and non-mandatory planning exist side by side, noting that we should study what stand should be taken in our reform to minimize losses brought on by friction produced by the "dual structure," and that in terms of the aim of reform we should consider whether or not the "dual structure" itself should be changed in order to ensure the normal movement of the economy.

3. The question of macroeconomic control and the vitality of enterprises. Some people held that while affirming that the invigoration of enterprises is the key to the restructuring of the national economy, we must properly handle the system of control over macroeconomic balance. Very little research has been done on this question. Unless this question is resolved and total supply and total demand are well balanced, it is quite impossible to truly invigorate the enterprises. The key to the solution of this question is that we must first of all establish a scientific and democratic decision-making system. At the same time, we must reform the pattern of balance, changing from mainly going in for balance in kind for individual items of goods to mainly going in for balance in terms of consolidated value. Others

held that the aim of the reform should be such that the state, in its economic planning, should plan the allocation of funds but not the production of goods, supervise demand but not supply, and control the goal but not the process. Still others held that research into economic movements should not stop at the question of "can it be put under control," noting that we should instead closely integrate the question of "can it be put under control" with that of "is it effective" and concentrate on studying the efficiency of the economic movements. As to the means of achieving the objectives of macroeconomic control, some people held that while studying and applying administrative and legal means, we should make a special effort to study the comprehensive use of various economic levers. We must study the relationships between economic mechanisms, economic interests, and economic levers and study and plan the rational disposition of economic levers, so that different economic levers will not only dovetail each other in terms of quality (the direction of regulation) but will be well coordinated in terms of quantity (the degree of regulation).

The Question of Socialist Monetary Theories

The participants pointed out that since the founding of the PRC, particularly since the beginning of the restructuring of the national economy, China has made much headway in its research on monetary theories. For example, after a long-drawn-out discussion on the nature and function of renminbi since the 1950s, we have quite fully revealed where the focus of divergence of views lies. With the shift in viewpoint from commodity production being "on the verge of extinction" to developing the planned commodity economy, our understanding of the nature of socialist money also changed. We accepted that as an ordinary equivalent, it is an important regulatory means for both microeconomic and macroeconomic control and not just a unit of calculation or means for accounting and planning. In our concept of currency circulation, we began to pay attention to the cash settlement and account transfer settlement instead of merely focusing our attention on cash circulation. We also paid attention to studying the interrelationships and mutual transformation between cash and deposits. From being confused about the law of proper circulation and the law of currency circulation, we began to realize that the two laws have quite the opposite connotations. We realized that the connotation of the law of currency circulation is that total commodity prices determine the volume of currency circulation, whereas the connotation of the law of paper circulation is that the volume of paper circulation determines total commodity prices. From the long-standing practice of attempting to conceal the truth about inflation of currency and credit inflation in a socialist society, we began to squarely face and earnestly study the problem. From the past practice of merely taking empirical data as the criterion for judging whether or not the volume of currency circulation was normal, we began to reassess the criterion in the light of new conditions. In our understanding of the nature and functions of the socialist bank, we began to see the bank as regulatory organ for the national economy and not just as the cashier's division of the financial department. In connection with the structure of the socialist bank, we broke with the traditional model which abolished commercial credit, prohibited "parallel"

credit and concentrated all credits on just one bank, made explorations on a socialist monetary system which has the people's bank as the core and specialized banks as the main body, and which combines different types of financial institutions, and unfolded discussion on opening up the financial market. In addition, we also achieved considerable successes in our research on socialist theories of savings, interests and so on.

The participants held that following the launching of the restructuring of the national economy on a full scale and its gradual shift onto the foundation of the planned commodity economy, the importance of finance will become more and more manifest. Thus, research on finance should be stressed in all work relating to economic theories. The participants also put forward a number of issues that urgently require study.

1. The role of banking in macroeconomic control. Banks will play a more and more important pivotal role in regulating social reproduction. In order to correctly bring this role into play, we must first study the functions of banks in macroeconomic control. Some people held that as things now stand, what banks can do is not to directly control the distribution and redistribution of the national income but to enhance their foresight, promptly reflect the situation, and sound the alarm. They noted that variations in the volume of currency circulation are the results of the distribution and redistribution of the national economy. Super-distribution within the microeconomy resulting from the absence of something that represents fund growth, that is, the strength of the state, within enterprises, as well as financial deficits in macroeconomic redistribution resulting from ultra-high-speed economic growth, are both situations that cannot be regulated and prevented by the banks beforehand. In order to strengthen the function of banks in macroeconomic control, we must study how we can clearly distinguish between the responsibilities, limits of authority, and sources of funds of financial departments and banks so that banks are no longer subordinate to financial departments. At the same time, we must study the relationship between the central bank and specialized banks and the conditions for the running of specialized banks as enterprises in order to ensure that the central bank will not be forced to become the funds supplier of competing specialized banks in various localities in their unrestricted granting of loans and will be able to regulate the credit activities of specialized banks.

2. Concerning the aim of the currency policy. Some people pointed out that the aim of the socialist currency policy must be one that serves the dual purpose of stabilizing the currency and promoting economic development. The key lies in finding ways to realize this dual purpose. Years ago, some people put forward the argument that inflation was unavoidable under conditions of paper circulation. In recent years, some people maintained that advance currency issue is the driving force for high growth, high employment, and high consumption. However, this view is now deemed undesirable by most people. What we should explore is a practical currency policy that will not lead to inflation or depression.

3. Control of the volume of currency circulation. Some people held that in judging whether or not currency circulation is normal, we should look at the relative magnitude rather than the absolute magnitude of the volume of currency issue. However, the relative magnitude is elastic. Currency that the economy can contain may increase or decrease with changes in the speed of currency circulation, which in turn are determined by anticipated rise and fall in price. This stochastic psychological variable is very hard to qualify, and so it is not easy to judge whether or not the volume of currency circulation is normal. Some people suggested using price index and the situation regarding the supply of, and demand for commodities as the criterion for judging the situation of currency circulation in the market. However, other people held that cash is not the observation value for judging whether or not currency circulation is normal, but is the operational value that controls currency circulation. They held that the general price level is the hysteresis observation value, and under the current pricing structure it usually appears in distorted form. Thus, neither cash nor the general price value can be taken as the criterion for judging whether or not currency circulation is normal. They maintained that the proportional ratio between [word indistinct] growth and economic growth should be taken as the basis for understanding the scale of credit. It appears that if we are to fix the criterion for judging whether or not currency circulation is normal, we must specifically study the various factors of the restructuring of the national economy and of changes in the economic structure that affect currency circulation while solving problems regarding methods of measurement and calculation. As to the means with which the central bank regulates currency circulation, some people are inclined to adopt the three major means of deposit reserve, discount rate, and open-market operations. However, we should take into account the difficulties we may encounter when adopting these means because Chinese banks are different from their Western counterparts and the operating mechanism of their funds are not the same.

The Question of Price in the Socialist Economy

The participants pointed out that although the price question has been discussed since the founding of the PRC, theoretical breakthroughs have only become particularly notable in recent years.

1. The question of the relationship between prices on the one hand and value and supply and demand on the other, that is, the basis for pricing. In the 1950s and 1960s, it was generally agreed that value was the only basis for pricing. Except for one or two people, no one talked about the need to take supply and demand into consideration. Some people even held that the formulation of prices without having to take supply and demand into account is an evidence of the superiority of the socialist system. In the 1960s, some people systematically put forward the notion of taking cost price as the basis for pricing, but were criticized as revisionist. After 1978, more and more people advocated taking cost price as the basis for pricing. The first is cost price; the second is double-channel price; and the third is equilibrium price or supply-demand equilibrium guiding price. All three views recognize the role of supply and demand in pricing. The difference

between them lies in the fact that the first two views maintain that pricing should take value or its changed form as the basis, while the third holds that market supply and demand should be taken as the basis.

2. The question of function of prices. In the past, people generally emphasized that prices have the function of calculating labor consumption in society and redistributing the national income. Following the launching of the reform of the economic system, many people point out that this concept to a large extent is responsible for our prices being unable to reflect value or supply and demand. They maintain that prices should be taken as a major lever for regulating social reproduction.

3. The question of the pattern of prices. At present, people generally think that the old pattern of a single fixed price can no longer meet the needs of the development of the socialist commodity economy and must be replaced by a diversified pattern that includes fixed price, floating price, and free-market price. However, views are divergent on the position of various types of price. Most people think that the floating price should play the dominant role, but there are also people who think that unified pricing by the state, or even the open-market price, should play a leading role. Some people further divide the price pattern into the transitional pattern during reform and the target pattern after reform. They maintain that the coexistence of several price forms should gradually be replaced by a state where one form of price predominates. Whether planned price or free-market price should predominate depends on the special features of the economic structure as a whole after the transition.

4. The question of price readjustment and reform. A few years ago, many people drew a hard and fast line between the readjustment of the price system and the reform of the price system, maintaining that readjustment must precede reform. The debate on readjustment was often confined to whether to carry out readjustment on a large scale or on a small scale. In recent years, some people noted that the ossified price system is the source of disorder in pricing and maintained that the readjustment of the price system and the reform of the price system must support each other. Others, proceeding from the complicated situation of our reform, proposed that we must combine opening up, readjustment, participation and reform and take a new approach to price reform with Chinese characteristics.

The participants held that there are a number of important questions regarding the price theory that urgently need probing.

1. Supply and demand must be taken into consideration in pricing, but the theory of equilibrium price cannot answer the question of what the axis of price fluctuation is. The Marxist theory of labor value revealed to us that the axis of price fluctuation is value in the simple commodity economy and is cost price in the capitalist commodity economy. What we must find out now is the axis of price fluctuation that objectively exists in the socialist commodity economy. In order to find our answer, we must study the environment and mechanism that enable an economic subject to achieve balance of interest in commodity production and exchange with a given social-economic formation.

2. Restricted by objective conditions, China's price reform must be unfolded step by step and cannot be resolved by means of a "package plan." An advantage of this method is that it helps reduce resistance to reform and avert major social shocks. However, under conditions of the double-track price system, the alternative presence of different operating mechanisms on two principles will greatly increase friction in the process of changing tracks and may even prolong the time taken to change tracks and pose an obstacle to this process. Thus, we must study the relative stability of economic functioning mechanisms and the functioning of the economy under the double-track price system, the way to achieve the steady transition from the double-track price system to the single-track system, and so on.

3. Under the planned commodity economy, how we are going to bring into play the role of pricing as a major lever for regulating the functioning of the economy from the standpoint of the unity of macroeconomic balance and micro-economic efficiency is a difficult theoretical problem that is yet to be solved.

4. Measures to be taken in the current price reform. The ultra-high-speed economic growth and demand inflation since the fourth quarter of last year have increased the difficulty of the price reform. This year, a series of distinctive retrenchment policies have been adopted in relation to finance, monetary affairs, and personal income. After a given time lag, these measures will be able to basically control the further expansion of aggregate demand. In order to ensure that we will win the first battle of the price reform, we must not just continue with our efforts to grasp these retrenchment policies. The key lies in choosing our next step in the price and wage reforms in order to lessen the risks of the reform and enhance the effectiveness of macroeconomic controllability and macroeconomic control.

The Question of Socialist Social Reproduction

The participants reviewed two of the more extensive discussions on socialist social reproduction in economic circles. The discussion from the late 1950s through to the early 1960s was directed against errors made in China's economic construction, particularly during the "Great Leap Forward." Discussion centered on the relationships between simple reproduction and expanded reproduction and between expanding reproduction by intension and expanding reproduction by extension, the contrastive relationship between the two sections of the process of reproduction and its relations to agriculture, light industry, and heavy industry and the relationship between consumption and accumulation and its quantitative limits, and other questions. The discussion since the downfall of the "gang of four," besides going more deeply into questions already discussed, put forward a number of new questions, such as the content of the Marxist theoretical system on reproduction, the quantitative analysis of the interrelationship between expanding reproduction by intension and expanding reproduction by extension. Major progress made in the latter round of discussion includes the following:

1. The question of expanding reproduction in intension is studied from the high plane of economic development strategy. On the basis of the integration of theory and practice, it is also pointed out that in accumulative as well as non-accumulative expanded reproduction, we must appropriately integrate the extensive way with the intensive way of expanding reproduction so that social expanded reproduction can move along the track of the benign cycle of the coordinated development of speed and beneficial results.

2. The question of the law governing changes in the contrastive relationship between the growth rates of the two sections of the process of social reproduction, particularly the question of according priority to the growth of the first section, are being explored in greater depth. Some people make use of the contrast between the real growth of the two sections in various stages of the history of mankind to illustrate this trend. Others make use of mathematical models and introduce changes of relevant factors into these models to demonstrate various trends of changes in the contrastive relationship between the growth rate of the two sections. These represent a step forward toward the integration of qualitative research and quantitative research.

3. The questions of the reproduction of labor power and the reproduction of population are raised to their proper position, and efforts are made to study the interrelationship between the reproduction of material goods and the reproduction of labor power and population, as well as the law governing the socialist reproduction of population.

4. The position and role of circulation in social reproduction are analyzed, research on economic relations and economic laws in the sphere of circulation is strengthened, and the reform of the economic structure in various departments of the sphere of circulation in our country is promoted.

5. Research is being conducted into the question of the decisionmaking power of enterprises, particularly the question of the proper jurisdiction of enterprises in reproduction. This provides the theoretical basis for the rationalization of the behaviors of enterprises and the reform of the management system of enterprises.

The participants held that the following questions have to be studied in depth:

1. The integration of the speed of development with economic results. Some people held that we should change the velocity-type pattern of social reproduction to the structure-type pattern of social reproduction. The latter takes economic structure (including the industrial structure, regional structure, technological structure and product) as the precondition for constant improvement. The relationship between structure and velocity may be in either one of the following three states: 1) High speed that ensures the constant improvement of structure, which is not always easy to achieve. 2) High speed that results in the deterioration of structure, which is bound to bring about new disproportions. 3) An appropriate rate of growth that

ensures the constant improvement of structure, which is what we should strive for. What we must study now are the conditions and criteria for the improvement of the economic structure, the quantitative boundary between ultra-high speed and appropriate growth, and so on.

2. The relationship between technological progress, particularly the new technological revolution, and social reproduction. First, along with technological progress, new industrial branches are emerging and the proportion of the non-material production sector in the socio-economic structure is growing day by day. This puts before us the questions of how we are to understand and assess labor reproduction and other industries. We must study the law governing their development and the question of quantitative limits in development under given conditions. We must also study the relationship between primary, secondary, and tertiary industries and between traditional and new industries, as well as the impact of the readjustment of the rural industrial structure and the transfer of surplus rural labor on social reproduction. Second, we must study the impact of new technological revolution in the present-day world on China's economy. On the one hand, we must study the level, structure, and changes in the nature of the social productive forces, as well as the decisive impact of these changes on the speed, proportion and structure of social reproduction and on the links of production, distribution, exchange and consumption in the overall process of social reproduction. On the other hand, we must study the role played by different kinds of changes in the cycle of social reproduction on the level, nature, and structure of the social productive forces.

3. The relationship between the economic structure, economic mechanisms, and social reproduction. In our efforts to explore the direction and content of the reform of the economic structure in the light of the objective laws of socialist social reproduction, there are many questions that must be studied. For example, in our economic structure, how can we effectively combine macroeconomic management by the state with microeconomic management by enterprise in order to ensure the simultaneous development of social reproduction and enterprise reproduction along the track of a benign cycle. Other questions include the question of the reform of the ownership structure that is related to the reproduction of relations of production, the question of the reform of the management system for everyday consumption that is related to the reproduction of labor power, the question of ecological management that is related to the natural environment and the reproduction of natural resources. As to economic mechanisms, we must pay attention to studying the interrelationships between the law of value, price movement, currency circulation and social reproduction.

The Question of Economic and Social Development Strategies

The question of economic and social development strategies had been touched on in discussions of questions like social reproduction in the past, but it was not until after 1979 that it was studied as an independent issue. Over the last few years, we have extensively conducted research into the meanings

of development strategies, the strategic guiding ideology, the strategic objective and system of targets, strategic assessment standards, patterns of development strategies, the new technological revolution, development strategies, overall strategies, regional strategies, and so on. We have made some achievements on the theoretical level and promoted the practice of economic readjustment and reform.

Research into economic and social development strategies touches so many disciplines of social and natural sciences. The participants held that from the angle of economics, the following questions require further study:

1. The patterns of development strategies. Whether development strategies should be the three-in-one combination of science and technology, the economy and society, or the two-in-one combination of the economy and society, needs to be studied. Many people pointed out that the state of science and technology not only directly affects various factors of the productive forces, but affects changes in the relations of production, the superstructure, and social life. The more science and technology are developed, the more will development strategies be conditioned by them. Thus, our development strategies must put the development of science and technology in an important position and fully assimilate the achievements of scientific and technological development. There are also people who maintained that our development strategies not only encompass science and technology, the economy and society, but cover the development of social psychology and moral concepts. Thus, we must practice an all-in strategy.

2. The objectives of development strategies. Many people held that it is not scientific enough merely to take the unitary target of the total annual value of industrial and agricultural production as the objective of development strategies, maintaining that we must find a consolidated system of targets that is both scientific and simple to understand to reflect our strategic objectives.

3. Strategic layout under conditions of structural improvement. We should study how to rationally determine the structure and direction of development of different industries in accordance with the objective conditions of different places and their position and role in socialist modernization; how to establish rational territorial, economic and technical divisions of labor in the process of continually improving the economic structure; how to determine the functions of different cities and the development strategies of economic zones that center on cities; how to divide the country into economic zones, and so on. Some people held that from the long-term and overall point of view, China's development must bring into play the advantages of the coastal areas and the hinterland and ensure that the two complement and promote each other. It was pointed out that in order to improve the entire economic structure, we must re-examine the present practice of excessively concentrating investment in the coastal areas, which has resulted in the over-inflation of some coastal cities and brought about many social and ecological problems. Some people held that on the matter of strategic layout, we should adopt a policy which aims at readjusting the eastern region, developing the central region, and gradually opening up the western region. We should practice an all-direction, open strategy.

4. The relationship between the new technological revolution and development strategies. Some people held that localities with the necessary conditions may make use of new technologies of the world to skip certain traditional stages of development and bring about skipping development, that is, practice skip strategy, by developing new industries. Others put forward the gradient theory of economic and technological development. This means that the development and utilization of technology can only move from east to west, from big cities to medium-sized and small cities and then to the rural areas, from developed areas to under-developed areas. They maintained that development must move along a "gradient" and there must not be any skipping. Both these strategies require further proof.

The Question of Improving Theoretical Work in the Economic Field and the Setting Up of Courses

The participants also exchanged opinions on the question of improving theoretical work in the economic field and the setting up of courses when they reviewed the situation of research on economic theories and discussed the glorious tasks confronting the field of economic science under the new situation of socialist modernization.

The close integration of economic theories and economic practice is the road we must take in economic and scientific development. Every new historical era must have its own theoretical creations. Marxist economics, too, must be continually updated to suit the needs of the development of practice. In order to accomplish something in our research on socialist economic theories, we must cater to practice and conscientiously study and answer important questions on socialist modernization. This is not only the prerequisite for theories to provide guidance to practice, but also for the setting up of courses on socialist political economics. Similarly, the probing of questions on the basic theories of socialist political economics also cannot be divorced from truth-seeking research on problems of economic construction and the reform of the economic structure in socialist modernization. In order to develop a fine style of closely integrating theory with practice in study, apparently we must consider how we can help economic theoreticians better organically integrate theory with practice on the basis of reforming the scientific research system and the economic structure. Leadership departments in the economic field should give economic theoreticians opportunities to get in touch with actual economic processes. This is not only absolutely necessary for the development of economic theories, but will, in the final analysis, contribute to improvement and innovation in economic work.

In order to persist in seeking truth from facts, we must emancipate our minds. In research on economic theories, emancipating our minds and seeking truth from facts means having academic freedom and developing the scientific spirit. Academic freedom and the scientific spirit are well integrated. Free and earnest discussion is the necessary environment for insistence on proceeding from reality when probing into questions of socialist economic theories and practice, and serious theoretical probing based on facts is the aim of academic freedom. Of course, academic freedom does not reject criticism, but neither does it reject counter-criticism. Criticism and counter-criticism

must be put on an equal footing. We should convince people by reasoning. We should also have a sense of responsibility and seeks truth from facts. This is not only conducive to promoting the healthy development of correct theories in debates over differing views, but will help rectify erroneous viewpoints.

There are inseparable ties between economic relations and economic mechanisms. In our research on economic theories, we have always emphasized the study of the nature of economic theories. This is no doubt necessary. However, we have done too little in our research into the mechanisms that underline the functioning of the economy. In fact, we cannot overlook the study of economic functioning mechanisms if we want to truly and profoundly delineate economic relations. Thus, the participants proposed that research into economic functioning mechanisms be strengthened in the future.

In our study of economic theories, we have done much study on the macroeconomy when we conducted research into the microeconomy in the past, but on the whole our emphasis was on the study of the microeconomy. Moreover, in the macroeconomic control of our economy, we used to early mainly [as published] on administrative means to carry out mandatory vertical regulation. In the balancing of the national economy, more weight is given to the balance in the supply of material goods. Thus, insofar as the future development of the planned commodity economy is concerned, our research into the macroeconomy appears very weak. The participants suggested that while strengthening research into the microeconomy, we should attach sufficient importance to building up socialist macroeconomic theories.

The 3d Plenary Session of the 12th CPC Central Committee has made a number of breakthroughs in economic theories, and this has placed pressing new tasks of setting up courses on socialist political economics before our economists. Some people held that as the "Decision" of the Third Plenary Session has clearly affirmed that the socialist economy is a planned commodity economy based on public ownership, the whole set of traditional and impractical concepts on the socialist economy must be radically changed and the theoretical system and certain basic categories of socialist political economics have to be re-studied. Others held that each class in each era must put special historical missions and tasks before its economists. This will determine the specific objects, methods, system and structure of research on political economics. The fundamental way out for our reform of the teaching of political economics lies in the establishment of an independent system of socialist political economics that suits the needs of the mission and tasks that the era has entrusted to us. Still others held that we must concretely analyze teaching materials and writings on socialist political economics published in recent years on the basis of facts. Rather than totally affirming or negating them, we should analyze and find out which are traditional viewpoints that must be done away with and which are correct viewpoints that conform with the spirit of the "Decision" and must be upheld. In addition, we must use the "Decision" as guidance in studying how to set up a new theoretical system for socialist political economics. People have also put forward tentative ideas about theoretical systems for

socialist political economics. For example, some people held that funds should constitute the main category of socialist political economics and run through all chapters of political economics. Others held that we should consider whether we want to choose a society based on money or a society based on labor. However, everyone agreed that we should permit the conducting of experiments on the setting up of courses on socialist political economics. This is particularly necessary at a time when our building of a socialist economic system is still mostly at an exploratory stage.

The participants also put forward proposals regarding the improvement of methods for carrying out research on economic theories. Some people suggested combining traditional with modern methods of research. The former refers to the method of abstract analysis, while the latter refers to the application of mathematical methods and the system or model approach which are characterized by the use of electronic computers. Adopting modern methods of research on the basis of traditional methods of research is an objective requirement for the constant deepening of research on economic theories. Others held that we should pay more attention to the comparative study of economic theories. This will prove very meaningful to us in our efforts to learn from the experience and lessons gained by foreign countries in developing their economic structures and economic development strategies, to absorb valuable achievements made by foreign countries in their research on socialist economic theories, and to broaden our vision.

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NATIONAL POLICY AND ISSUES

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[Article by Zhang Yigeng [1728 0001 5105]: "China's General Index of Retail Prices: Its Economic Significance and Method of Compilation"]

[Text] The country's general index of retail prices is a comprehensive indicator of the degree of changes and trend of the general level of the commodity retail prices of the society for a given period. It is used to study and analyze whether or not the national economy is developing in a coordinated manner and to measure the extent of the influence of changes in commodity prices on the life of people of the whole country, and is not to denote the changes in the retail prices of certain commodities or certain categories of commodities in certain regions.

Changes in the General Index of Retail Prices Denote the Extent of Their Influence on People's Lives

The general index of retail prices is a kind of statistical indicator using the form of relative figures to comprehensively reflect the changes in the retail prices of various commodities. Its formula is as follows:

The general index of retail prices equals the gross volume of society's retail commodity sales during the current period, divided by the product of the retail prices of the period under comparison and the volume of retail commodity sales of the current period multiplied by 100.

Subtracting 100 from this relative figure gives the rate of the rise or fall of the general level of the retail prices. Subtracting the denominator from the numerator denotes the actual economic significance of the influence of the rate of the rise or fall of the general level of retail prices on people's standard of living. This weighted synthetic average method, by giving the volumes of retail commodity sales of the current period and of the period under comparison the same weight and then measuring the changes in the retail prices, reflects the extent of the effects on people's lives, since the contrasted base period is different and the general index of retail prices calculated therefrom is different.

1. In 1984, compared with the preceding year, the national general index of retail prices rose by 2.8 percent. The effect was that residents incurred an increased expenditure of 8.27 billion yuan. Of this, the rural retail price index rose by 3 percent, meaning that the peasants spent an additional sum of 5.31 billion yuan, while the urban retail price index rose by 2.5 percent, meaning that urban residents spent 2.96 billion yuan more. If the additional factor of a rise of 5.4 percent in the charges for posts and telegrams, medical care, and repairs is included, then residents actually spent 3.59 billion yuan more, averaging 18 yuan per person and some 70 yuan for a family of 4.

2. In 1984, compared with 1978, the country's general index of retail prices rose by 17.7 percent, averaging an annual increase of 2.75 percent. This means that the residents' increased expenditure amounted to 45.67 billion yuan. Of this, the rural index of retail prices rose by 15.1 percent, meaning that the peasants' expenditure increased by 24.98 billion yuan. The urban index of retail prices rose by 20.6 percent, meaning that the urban residents' additional expenditure was 20.69 billion yuan. Including the factor of a rise in service charges, the residents actually spent 22.01 billion yuan more, averaging an additional expenditure of 112 yuan per person. On the basis that at present, on average, the family burden of each staff member or worker is 1.7 persons, then on account of the rise in commodity prices, each staff member or worker incurred an additional expenditure of 190 yuan, or 220 percent of the annual food subsidy of 60 yuan each granted by the state beginning in November 1979, currently equivalent to 2 months' base wages. This sufficiently illustrates that in a 6-year period, the economic effects of an average annual rise of 2.75 percent in the general index of retail prices were excessively large. We should never overlook this rate of increase in the general index of retail prices.

3. In 1984, compared with 1952, the country's general index of retail prices rose by 43.2 percent, averaging an annual rise of 1.1 percent. This accumulated rate of increase in retail prices over a period of 32 years caused urban and rural residents to incur an additional outlay of 91.62 billion yuan for the purchase of commodities in 1984, compared with 1952, all on account of the rise in commodity prices. Of this, the rural retail price index rose by 27 percent, causing the peasants to spend 41.53 billion yuan more, while the rise in the urban retail price index was 70.5 percent, causing the urban residents to spend 50.09 billion yuan more. Including the factor of a rise in various service charges in the urban areas, the urban residents spent an extra 51.09 billion yuan. On average, each person spent 259 yuan more. On the basis of the household burden of the staff members and workers in the cities, the rise in prices caused each staff member and worker to bear an extra burden averaging 440 yuan per person in living expenses.

A rise in the general index of retail prices implies a fall in the purchasing power of money and currency devaluation. Seen from the country as a whole, the 1984 purchasing power of each 100 yuan was generally equivalent to that of 97.3 yuan in 1983, 85 yuan in 1978, and 69.8 yuan in 1952. Because of differences in the degree of increase in the retail price level between the urban and the rural areas, the degree of currency devaluation suffered by urban and rural residents in regard to the purchase of commodities also varies. At present, 100 yuan in the hands of urban residents equals only 58.7 yuan in 1952, whereas in the countryside, 100 yuan in the hands of the residents is equivalent to 78.7 yuan in 1952 for purchases of commodities in the market. Hence, the degree of currency devaluation suffered by urban and rural residents is not the same and cannot be substituted one for the other. If the retail price indices of the various categories of commodities are based on the extent of the currency devaluation, then the results will be even more varied. If we take the retail price index of food products, which have a relatively close bearing on the lives of urban residents, as the yardstick for measurement, then in 1984, 100 yuan in the hands of urban buyers of food products would be equivalent to only 48 yuan in 1952 and would be even less, 37 yuan, if sideline or subsidiary products were to be purchased. These figures are in close agreement with a claim by certain people in the cities that 30 yuan of food allowance now cannot match an allowance of 15 yuan in the 1950's.

Thus, it can be seen that different yardsticks used in measuring the extent of currency devaluation lead to radically different conclusions. To find the adequate currency devaluation rate for determining macroeconomic measures and carrying out overall research into the needs for the people's standard of living, it is necessary to first find out the index of the purchasing power of currency. Only by so doing can the important economic significance of the general index of retail prices be manifested in an all-round manner.

General Indices of Retail Prices During Various Periods Factually Reflect Changes in Market Commodity Prices and the Value of Currency

A further systematic analysis of our country's general indices of retail prices during various periods can serve to further illustrate that the national general indices of retail prices are factual reflections of the results of the various regions and various departments' implementation of the party's and state's guidelines and policies on commodity prices and their activities in balancing market supply and demand and developing the economy. The changes during each period all have rich economic contents and a definite economic significance.

Since the founding of the PRC, the party and the state have steadfastly insisted on the guideline of stabilizing commodity prices. Unfortunately, because the irrational price scissors of industrial and agricultural products left over from the old society urgently needed to be reformed, the prices of certain commodities and the differential between them had to be

continuously readjusted following the economic development in order to facilitate production and bring about economic prosperity. Market retail prices do not stay put for a prolonged period at one level, but change while being stabilized. Hence, fluctuations are seen in the general indices of retail prices when compared year by year or stage by stage, while the general index of retail prices which takes a certain year as its base shows a tendency to rise slightly even while in a state of stability.

1. The period of 1950 to 1955 was one of relatively large fluctuations in the general level of market commodity prices.

In 1949, the war of liberation was still progressing on a nationwide scale. Because the newly liberated areas had little fiscal receipts while there was a sharp increase in the financial expenditure of the people's government, it was necessary to issue more bank notes to meet the difficulties in the march to victory. As a result, the rise in commodity prices in the newly liberated areas was on a considerably large scale. In October 1949, compared with December 1948, the level of wholesale prices in large cities in China proper rose by 2100 percent, while in the northeastern region, due to the war having already come to a close and to the region having separately issued its own regional notes for circulation, the wholesale prices in its large cities and towns registered a rise of only 62 percent.

After the formal establishment of the PRC on 1 October 1949, the party and the state took the work of stopping currency inflation and stabilizing market prices as the top priority tasks in financial and economic work. However, because the war of liberation was not yet at an end at that time, military expenses continued to be rather large, making up more than 50 percent of the financial receipts. Moreover, at the time, we adopted the policy of the "wholesale takeover" of a large number of personnel of the KMT government. In the country as a whole, the living expenses of some 9 million military and administrative personnel had to be borne by the government. Hence, it was still necessary to depend on the issuance of bank notes to cover the fiscal deficits. As a result, there were still sharp fluctuations in market prices. In March 1950, the general level of retail prices in the country reached the first high peak since the founding of the PRC, showing a rise of 120 percent over December 1949 and a rise of 620 percent over October 1949.

In February 1950, the political council of the Central People's Government promulgated a "decision on the unification of national financial and economic work", and adopted a series of important measures including unified control of national financial revenue and expenditures, unified control of the issuance of bank notes, unified handling of national material resources, unified control of the cash resources of the country, and so on. Thus, the state firmly held in its hands the power to control market commodity prices and effected control of the movements and trends of market prices, and the

general level of retail prices in the country rapidly changed from rising to falling. In June 1950, compared with March of the same year, a drop of 31.2 percent was recorded.

In June 1950, the American imperialists started the war of aggression against Korea. A blockade of our ports was carried out and we faced the danger of renewed sharp fluctuations in market commodity prices. The party and the state adopted the policy of "simultaneously resisting, stabilizing, and constructing", continuing to stress the work of stabilizing market commodity prices. In 1952, the "three anti" and five anti" campaigns were implemented on a nationwide scale. Orders for goods and processing orders were given to capitalist industries, weakening and gradually severing the relations between the capitalist class and the peasants and dealing determined blows to the speculative and profiteering activities of the capitalist class. In less than 3 years' time, the national financial and economic situation basically took a turn for the better. The rapid recovery and development of industrial and agricultural production and a balanced budget provided the basic guarantee for the stability of market commodity prices and of the people's standard of living. In 1952, the general index of retail prices of the country rose by 11.8 percent over the average level for all of 1950 and dropped by 7.3 percent compared with March 1950.

In 1953, in order to consolidate the stability of commodity prices, strengthen the socialist transformation of agriculture and the handicraft trade and capitalist industry and commerce, and ensure the progress of large-scale economic construction, the party and the state, aside from adopting such measures as increasing production, practicing economic measures, and tightening the leadership role of the state-run economy over the market, successively enforced the policy of a government monopoly of the purchase and sales of the important consumer goods such as grain, edible oils, cotton, cloth and other goods; set unified ex-factory prices for certain major industrial products; and readjusted and reduced the regional differential prices, seasonal differential prices, and wholesale and retail differential prices. The enforcement of these policies and measures helped to consolidate the stability of commodity prices on the market. By 1954, the general level of retail prices in the country was basically stabilized at the March 1950 level.

However, looking at this 5-year period as a whole, it may be seen that due to the various measures for stabilizing commodity prices being carried out under the situation of a shortage of commodities and currency inflation, the general level of commodity prices in the market, while showing certain fluctuations, still showed a rising trend. Thus, in 1955, a rise of 19.5 percent over 1950 was recorded, averaging an annual rise of 3.6 percent.

2. The period 1956 to 1959 was one in which commodity prices on the market generally stabilized but showed a slight rising trend.

In 1956, industrial and agricultural production increased by 16.5 percent

over the preceding year. Due to the 58-percent increase in capital construction appropriations in the budget and the sharp increase of 5.15 million government workers, together with the factor of the readjustment and reform of the wage system, which caused an increase of 37 percent in the gross volume of salaries and wages of staff members and workers and the concurrent excessive granting of agricultural loans, the increase in society's purchasing power of commodities exceeded the increase in production. This caused the supply of a portion of the commodities to lag behind demand as well as a rise in commodity prices. In order to consolidate the stability of commodity prices on the market, from July 1956 to 1957 the state adopted the measure of freezing commodity prices. The general index of retail prices in the country, compared with that of 1955, rose by only 1.5 percent in that year.

In 1958 and 1959, despite the increase of over 53 billion yuan in the capital construction budget appropriations and the increase of over 21.1 million people in the number of staff members and workers of the state, due to the implementation of maintaining the stability of commodity prices and observing the guideline of "basically no changes but individually making adjustments", the level of commodity prices in the country rose by less than 1 percent each year. Hence, in 1959, compared with 1955, the level rose by only 2.7 percent, averaging an annual rise of 0.7 percent.

3. The period 1960 to 1962 was one in which the rise in commodity prices in the market was rather heavy.

In these 3 years, due to the imbalance in the proportionate relationship within the national economy, the volume of the issuance of bank notes was greatly increased and the supply and demand of commodities was not balanced. In 1960 and 1961, society's supply of retail commodities fell behind society's purchasing power of commodities by over 10 billion yuan, prices in country fair trade rose sharply, the retail list prices of small commodities which the state had difficulty to control rose one after another, and the stabilized state of commodity prices in the market was broken and the second highest peak in the rise of the general level of commodity prices in the whole country since the founding of the PRC appeared. In 1962, compared with 1959, the general index of retail prices in the country rose by 24.4 percent, averaging an annual increase of 7.6 percent.

Under this temporarily difficult situation in the national economy, the CPC Central Committee advocated the guideline of "readjusting, consolidating, and meeting and raising standards". It adopted a series of measures to depress the social purchasing power and control the rise of commodity prices in the market. In order to ensure a minimum standard of living for the staff members and workers, in 1961 the party and the state decided to stabilize the prices of 18 kinds of daily necessities and services at the then existing level, temporarily refraining from making any readjustment. The necessities included grain, edible oils, meat, eggs, salt, soy sauce, sugar, vegetables, cotton, cotton knitwear, matches, soap, coal, kerosene,

paper, rent, water and electricity. Consumer goods absolutely needed by the staff members and workers were supplied in fixed quantities and at parity prices. Simultaneously, for the purpose of equalizing market supply and demand and withdrawing currency from circulation, an open-supply policy of selling high-quality confectionery goods, cakes, and knitted cotton textile goods at high prices was adopted. In cities and towns, certain restaurants charging high prices were established and some 3 billion yuan of commodities were sold, withdrawing about 10 billion yuan of currency from circulation. In addition, three categories of agricultural and sideline products were subjected to the business practices of consultation purchasing and consultation marketing in accordance with the trends of the market and trade. All this played an exceedingly important role in checking the sharp rise in commodity prices, ensuring the meeting of the livelihood needs of the people and seeking improvement of the state of the national economy. The yearly rise of the country's general index of retail prices was narrowed from 3.1 percent in 1960 and 16.2 percent in 1961 to 3.8 percent in 1962.

4. The period 1964 to 1972 was one in which commodity prices on the market were generally stable but showed a downward trend.

This period passed through the two stages of the 1963-1965 readjustment of the national economy and the freezing of commodity prices during the internal disorder of the "Great Cultural Revolution". As a result, commencing in 1963, the general level of retail prices in the country, although generally stable, showed a slight downward trend for many years. Compared with 1962, the 1965 general index of retail prices in the country dropped by 11.8 percent. In the same year, the state announced a 5-year plan for the rational readjustment of the commodity prices. The guideline called for yearly raising of the prices of agricultural sideline products and certain mining products, permitting the prices of light industrial products to rise or fall, basically stabilizing the general price level, and gradually lowering the prices of certain heavy industry products. But when this plan was begun, the "Great Cultural Revolution" broke out. Lin Biao and the "Gang of Four" took the opportunity to vigorously engage in economism. In various regions, the phenomenon of lowering prices and abolishing various differential prices was seen. To avoid disruption of the market, in August 1967, the State Council specified that the various kinds of irrational prices and regional differential prices and differential prices between urban and rural areas would all be handled in the subsequent stage of the "Great Cultural Revolution". As for the various standards for the collection of fees and charges, regions were not allowed to lower them by themselves. Hence, during the period of the internal turmoil, although industrial and agricultural production suffered seriously and in certain regions prices in country fair trade spontaneously rose, as a result of the list prices of the major consumer goods being frozen, the general index of retail prices in the country in 1972, compared with 1965, dropped by 1.7 percent and, compared with 1962, dropped by 14.7 percent.

5. The period 1973 to 1978 was one in which commodity prices on the market were once more generally stable, but showed a slight rising trend.

Following the smashing of the "Gang of Four" in October 1976, our national economy and work on commodity prices in the market entered a new stage of restoring order out of chaos and of carrying forward and forging ahead for the future. Industrial and agricultural production was gradually restored and the urban and rural markets were becoming prosperous daily. Because the influences of being too anxious for success and certain "leftist" errors still existed in economic work, the tense state in the supply and demand of material resources could not be eased and many of the problems that had accumulated because of the prolonged freeze of commodity prices could not be solved. As a result, in the purchases of agricultural products, certain units of their own will raised prices, upgraded and raised the prices of commodities, or depressed grades or prices. Certain other units failed to observe the state's list prices and set prices at their own accord, thus raising the prices in another form. Still other regions relaxed their control of country fair trade, speculative and profiteering activities became rampant, and commodity prices in the markets steadily moved upward. Compared with 1972, the 1978 general index of retail prices in the country rose by 4.4 percent, averaging an annual increase of 0.7 percent.

6. The period 1979 to 1984 was one of a readjustment of commodity prices in the market and of many reforms and swift changes.

In December 1978, the 3d Plenary Session of the 11th CPC Central Committee decided: In order to narrow the varying prices in the exchange of industrial and agricultural products, the unified purchase price of grain would be raised by 20 percent commencing from the time when the 1979 summer grain was put on sale on the market. On surplus purchases, an additional price increase of 50 percent on top of this increase would be made. The state purchase prices of agricultural sideline products such as cotton, edible oils, sugar, animal products, aquatic products, and forestry products would likewise be raised in a corresponding manner. At the same time, it was decided that the marketing price of grain would be unchanged, and that the marketing prices of other agricultural products which were necessities in people's lives would also remain stable. In the event that prices of certain products be raised, appropriate subsidies should be given to the consumers concerned. After raising the state purchase prices of agricultural sideline products, the state further decided to raise the retail prices of eight kinds of non-staple food--pork, beef, mutton, fish, eggs, domestic fowl, milk, and fresh vegetables. At the same time, each staff member and worker would be given a subsidy of 5 yuan a month as compensation for the rise in the prices of the non-staple food. In November 1981, the retail price of polyester-cotton cloth, the cost for the production of which had been steadily falling and the output of which had been noticeably increasing, was lowered. Concurrently, for the purpose of equalizing market supply and demand, the retail prices of high-quality tobacco and wine were raised. In early 1983, a further adjustment was made in the relative prices

of polyester-cotton cloth and pure cotton cloth. The retail price of the former was lowered by 31 percent while that of the latter was raised by 19 percent. Simultaneously with raising the purchase and marketing prices of agricultural sideline products and readjusting the retail prices of a portion of the major industrial products, diversified forms of prices were enforced, including state unified prices, floating prices, prices set after consultations between industrial and commercial enterprises, other types of consultation prices, additional charges for excess purchases, free exchange prices for country fair trade, and so on. At the same time, the scope of unified purchase and mandatory purchase and of the categories of products subjected to unified marketing was gradually narrowed, while that of consultation purchases, consultation marketing, and of categories of products under free purchase and marketing was expanded. The enforcement of these policies and measures played an excessively large role in promoting production, readjusting the structure of products, improving economic results, and ensuring market supply and demand. Seen from the changes in the general level of the market commodity prices, there was a large-scale rise in the purchase prices of agricultural sideline products in the country, and retail prices also rose rather rapidly. Compared with 1978, the 1984 general index of the purchase prices of agricultural sideline products rose by 53 percent, averaging an annual rise of 7.4 percent. The general index of retail prices rose by 17.7 percent, averaging an annual rise of 2.75 percent. Thus, market retail prices did not rise correspondingly to follow the large-scale rise in the purchase prices of agricultural sideline products. The principal causes were due to the party and the state, which, for the sake of stabilizing commodity prices and making the people's standard of living stable, enforced a reverse linking of the purchase price and sales price of the major agricultural products such as grain, edible oils, meat, eggs, and vegetables. In addition, it was due to the state providing subsidies to business units which had incurred losses due to policies. It was found that between 1979 and 1983 alone, the price subsidies paid amounted to 141.1 billion yuan. Of this, the subsidies paid in regard to the prices of grain and non-staple food amounted to 91.6 billion yuan. If this policy had not been enforced and an operational policy with a view to keeping the capital intact had been adopted, then the 1984 general index of retail prices, compared with that of 1978, would have disclosed an average annual rise of over 9 percent.

It can thus be seen that since the founding of the PRC, the changes in the general index of retail prices of the various periods would have closely fallen in line with the implementation of the guidelines and policies on commodity prices and with the changes in the balance of market supply and demand and the changes in the national economy. Price changes occurring in the market will result in price indices of a similar nature. The general index of retail prices is a factual reflection of the changes in the retail prices of the various kinds of commodities on the market.

The Compilation Method of the Existing General Index of Retail Prices and the Degree of its Credibility

Since the national general index of retail prices is a factual reflection of the changes in the retail prices of various kinds of commodities on the market, the survey work done on it and its method of compilation should be of a scientific nature. This scientific basis calls for finding the average price of each category of commodities for the current period and the contrasted base period and for finding the retail sales volume of each category of commodities in the current period and using this as the basis for computing the weight of each. Only having on hand the basic materials from these two sides is it possible to compute the weighted synthetic averages for compiling the price indices of various commodities, the price indices of commodities in separate categories, and the general index. Only indices compiled in this way can truly reflect the trend of development.

Based on the above principles, the concrete methods of computing the current national general index of retail prices is as follows: By means of the random sampling methods, 183 cities and county towns are sampled from the whole country and statistical personnel are sent to over 6,000 different types of retail stores and county fair markets to directly record the actual transaction prices of commodities. Recording of the commodity prices is done within the scope of some 325 principal "representative and standard goods" which generally represent the various kinds of market commodities, and the recording is done on a periodical and rotating basis. Following this, based on the recorded prices and using the weighted average method, the synthetic average prices (including list prices, consultation prices, and market prices) of the principal representative standard products, and their indices, are computed. Finally, using the consumption structure found in a survey of residences in the cities and in the countryside and allowing for weighted variance, the indices of retail prices in commodities by categories in cities and counties covered in the survey, and the general index, are computed. This is the first step. The second step is, based on the materials supplied by the cities and counties covered in the survey, to compute, by means of the weighted average method, the national synthetic average prices, including list prices, consultation prices, and market prices, and their indices, of the principal representative standard products. Finally, on the basis of the consumption structure of the residences in the cities and the countryside found in the survey and using the weighted average method, the national indices of retail prices of commodities by categories, and their general indices, are computed. Actual practice has shown that in regard to the form and scope of the survey, the general index of retail prices compiled in our country is fully of a representative nature and that the method of compilation is scientific. However, under the present situation where products frequently go through changes and are constantly replaced or upgraded, and in the selection and recording of the retail prices of the representative standard products, some of the representative standard products cannot be located in certain markets. In some regions included in the survey of commodity prices, the weights of

commodities which have risen in price are artificially increased for the purpose of raising the level of the index computed. Practices of this kind have affected the quality of the index of retail prices to a degree. Hence, the method of compilation should be continuously rectified and perfected.

Certain people do not fully understand the survey work and method of compilation of the national index of retail prices and are not clear about the extent of the effects on the people's lives from the rise in retail prices. Some even have gone to the extent of putting in comparison indices of a different nature and come to the conclusion that the national general index of retail prices promulgated is "not credible". The cases mentioned below are illustrative:

1. Using the indices of the prices of commodities one day after the readjustment of prices and of the prices of commodities one day before the readjustment to compare with the average price index for the whole year. An example is the adjustment of the price of pork in Beijing City. In November 1979, after the price adjustment, the price of pork was 1.24 yuan per jin, an increase of 30.5 percent over the price of 0.95 yuan before the adjustment. In 1979, the average price for the year was only 1 yuan, a rise of only 5.3 percent over the average price of the preceding year. To use the former price index to refute the latter price index and proceed to refute the general index of retail prices is obviously making a comparison of two price indices which are of a different nature and are related to different problems.

2. Using the indices of commodity prices in the slack season and those in the busy season to compare with the average price index for the whole year. In 1984 in Beijing City, the retail sales quantity of cucumbers was 17,370 jin and retail sales amounted to 22.541 million yuan. Of this, in the busy season of May to September, the quantity of retail sales during the slack season made up only 10 percent of the total amount of quantity of retail sales during the year, the price per jin being 0.42-0.99 yuan. The highest price in the slack season was 1880 percent of the lowest price in the busy season. The average price for the whole year was only 0.13 yuan, basically the same as that of the preceding year. Hence, to use the indices of the seasonal differential prices of commodities as a basis to refute the average price for the year and the general index of retail prices obviously leads to a misunderstanding.

3. Comparing the price index of a portion of the commodities with the general index of retail prices. In 1984, among the commodities used for food, apparel, sundry purposes, and fuel, the retail prices of commodities in the food category showed the largest increase over the preceding year. For example, the retail prices in the country of meat, domestic fowl, and eggs rose by 5 percent, aquatic products rose by 11.1 percent, fresh vegetables by 7.5 percent, and fruits by 9.5 percent. The rise in the prices of these commodities increased the living expenses of the residents and to a rather large extent caused a rise in the general index of retail prices.

However, if we look at the whole body of commodities, the list prices of the major commodities such as grain, edible oils, salt, sugar, tobacco, wine, tea, cloth, and coal did not rise at all, while the prices of grain and edible oils in country fair trade even decreased. The retail sales volume of these commodities made up nearly 50 percent of the total expenses incurred by urban and rural residents in the purchase of commodities and thus represented an important factor in offsetting the rise of the prices for a portion of the non-staple foods, causing in turn a rise in the general index of retail prices. We should not overlook these commodities for which the prices did not rise but for which some even actually fell.

4. Using the price index for non-staple foods to compare with the general index of retail prices. In people's lives, there is almost daily contact with non-staple foods. Hence, among the changes in the retail prices of commodities, they are most concerned with the price movements of non-staple food. In evaluating the credibility of the general index of retail prices in the country, some people are easily inclined to base their judgment on the price indices of non-staple food. This is using a part to evaluate the whole. For example, in 1984, compared with 1978, the national general index of retail prices rose by 17.7 percent, of which the price index for non-staple foods rose by 44.6 percent. Thus, the rise in the price index for non-staple foods was 150 percent of the rise in the general index of retail prices. However, since, of the total expenses spent by urban and rural residents on the purchase of commodities, the portion spent on staple food was only 23.8 percent, the rise of 44.6 percent in the price index of non-staple food caused a rise of 10.6 percent in the general index and accounted for 59.9 percent of the rise of 17.7 percent of the general index. Thus, it can be seen that while the rise in the price index of non-staple food is a major factor causing the rise in the general index, it is not the sole or whole factor.

5. Using one's own impression on the general condition of price changes in his place of abode to compare with the changes in the average level of prices in the whole country. The general index of retail prices in the country is the sum total of weighted synthetic average figures based on the surveys on commodity prices in various localities. In comparing the level of retail prices in various regions and localities with the average level of commodity prices in the whole country, some are bound to be higher, some lower, some more or less the same and some exactly the same. For example, compared with 1983, the 1984 national general index of retail prices showed a rise of 2.8 percent. Of this, the indices of large cities and towns with a population each of over 1 million people, such as Beijing, Tianjin, and Shanghai rose by about 3 percent each; those of large cities with a population of 0.5 to 1 million people rose by 3.2 percent; those of medium-sized cities with a population of 200,000 to 500,000 people rose by 2 percent; all cities with a population of below 200,000 people rose by 1.8 percent; those of county towns and villages rose by 1.4 percent; while in the case of Hohhot, Harbin, Wuhan, Nanning, Xian, and Nanjing, the price level rose from 4 to 5.1 percent. Hence, in evaluating the credibility of the national

general index of retail prices, it is necessary to make an overall survey of the conditions of the various kinds of price changes in various regions and localities in the country.

6. Using the price index of the living expenses of an individual family to compare with the national general index of retail prices. In this regard, while we shall leave aside the problem of the contents of these two kinds of indices being not wholly comparable and turn to the lack of agreement between the price index of the living expenses of an individual family and the general index of retail prices, it is in reality a problem of the relations between the individual and the general and between the particular and the general. The increase in the expenses of an individual family on account of the rise in commodity prices has been absorbed into the general index of retail prices. Comparing the computed price index of family living expenses with the general index, it is likewise found that there are cases of some being higher, some lower, some approximately equivalent, and some wholly equivalent. Viewed from the 1984 price index of living expenses of families with different income levels compiled by the city sampling unit of Liaoning Province, it is found that the price index of living expenses for households with an average monthly income below 25 yuan each showed an increase of 3.8 percent over the preceding year. Each household, because of the rise in prices, had to spend 59.86 yuan more during the year, or 3.7 percent of its annual income. In the case of households with an average monthly income of 35 to 50 yuan, the rise in the price index of family living expenses was 3.6 percent. Each household, due to the rise in prices, had to spend 81.25 yuan more during the year, or 3.5 percent of its annual income. In the case of households with an average monthly income of over 70 yuan, the price index of family living expenses rose by 3.5 percent. Each household, due to the rise in prices, had to spend 118.72 yuan more for the whole year, or 3.4 percent of its annual income. This illustrates that in the cities, for households with a low income level, due to the large number of members in each household, a small number of members being gainfully employed, the average large number of people each employed member has to support, and food constituting a relatively important factor in the consumption structure, the extent of the effects of a rise in prices on each household is large. In the case of households with a high income level, because the number of members in each household is small, the number of members employed is large, the average number of persons each employed household member must support is small, and food is a relatively small problem, the extent of the effects of a rise in commodity prices on each household is small. The differences in the extent of the effects of a rise in commodity prices on the living expenses of these households with a varying income level are all manifested by means of averages in the general index. Hence, in the comparison between the price indices of living expenses of individual households with the general index, the evaluation to the general index may result in different conclusions.

7. Using an index with a fixed base period to compare with an index with a variable base period. As for a prolonged period, the standard wage system of our country is on a graded-scale, and the monetary wages the state has been giving to its staff members and workers has not changed along with the rise in commodity prices. Rather, in order to stabilize market prices, the state has enforced the measure of giving a price subsidy (by far the great proportion of the subsidy is given to the operation units while only a small portion is given to the individual consumers). On the part of the general public, they seem to have been impressed little by the price subsidies given by the state but seem to be deeply concerned with the accumulated rise in commodity prices year after year. On the other hand, they also seem to be oblivious of the prices of some of the commodities having actually been marked down. As a result, some people, as soon as they see the scale of the rise in the general index of retail prices of the country for a certain year in comparison with the preceding year, feel that there is a great difference from their own impression of the rise in commodity prices and therefore come to the conclusion that the promulgated general index is "not believable". This is the outcome of an erroneous impression derived from comparing a fixed-base index with a variable base index.

In short, the national general index of retail prices is an indicator which, using a scientific method, sums up the vast and complex changes in the retail prices of several million categories of commodities into a synthetic average economic trend. We can rely on no simplified method to judge its degree of credibility. Only by means of the adoption of a scientific method and through a meticulous survey and earnest research and analysis is it possible to obtain a conclusion which corresponds to reality.

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PROVINCIAL AFFAIRS

HEBEI GOVERNOR'S REPORT ON GOVERNMENT WORK

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[Report by Hebei Governor Zhang Shuguang on the work of the Hebei Provincial People's Government, entitled "Conscientiously Sum Up Experiences, and Firmly and Unswervingly Promote the Reform", given at the Third Session of the Sixth Provincial People's Congress on 19 June]

[Text] Fellow deputies: One full year has elapsed between the convocation of the second session and that of the third session of the sixth provincial People's Congress. In the year, a year of promoting the reform and advancing through explorations, our province has witnessed great changes on all fronts and scored gratifying achievements. The current political, economic, scientific, and educational situations are very good. The major tasks facing people's governments at all levels are to conscientiously sum up experiences, firmly and unswervingly advance the entire economic structure reform focusing on the urban economy, and continually consolidate and develop the current excellent provincial situation. This is an issue which the people across the province are greatly concerned about. Today, on behalf of the provincial People's Government, I submit the government work report centering on this issue for examination by the present session.

1. The 1984 Provincial Economic Situation

Under the current leadership of the CPC Central Committee, the State Council, and the provincial CPC Committee, and centering on the strategic goal of "quadrupling the gross industrial and agricultural output value and striving to become relatively well-off," the people throughout the province conscientiously implemented the CPC Central Committee's principles and policies concerning the reform, opening to the outside world, and vitalizing the economy, and brought the provincial economy to the orbit of sustained, stable, and coordinated development. In 1984, the total product of society was 59.99 billion yuan (this and all figures below given in current prices), a 14.9-percent increase over 1983. Of this, the gross industrial and agricultural output value was 48.7 billion yuan, a 15.9-percent increase over 1983, and the national income increased by 14.4 percent over 1983. Meanwhile, the province fulfilled or overfulfilled the 1985 targets set by the Sixth 5-Year Plan for total volume of retail sales, gross industrial and agricultural output value, national income, and output of 39 major industrial and agricultural products.

1) Another bumper harvest was reaped in agricultural production, and the rural commodity economy developed vigorously. In 1984, the provincial total agricultural output value reached 19.47 billion yuan, a 17.7-percent increase over 1983. The total grain output came to 37.4 billion jin, the second highest-yield year for the province. The total output of cotton came to 2.1 billion jin; that of oil-bearing seeds, 1.2 billion jin; and that of dried and fresh fruits, 2.81 billion jin; all being record highs for the province. The policies concerning forestry were further implemented, the area of plains and afforestation on barren mountains and beaches developed rapidly, and the quality of afforestation was raised somewhat. Relatively great development was made in animal husbandry and the aquatic products industry.

Town- and township-run enterprises developed rapidly. In line with the spirit of adapting measures to local conditions, exploiting favorable conditions, and making breakthroughs in major fields, all localities actively developed the breeding, processing, building, transport, and mining industries, and commercial and service trades. By the end of 1984, the number of town- and township-run enterprises across the province reached 1.09 million, an increase of 680,000 over 1983, and their total income came to 10.7 billion yuan, an 86.9-percent increase over 1983. A total of 6 million laborers engaged in diversified occupations, accounting for about 30 percent of the total rural labor force in the province.

Along with the development of the commodity production, a number of small towns and specialized markets emerged, as the times required. In 1984, the number of organic [jian zhi 1696 0455] towns increased from 52 in 1983 to 418; that of urban and rural country fair markets which were restored or newly built came to 2,230; and that of large-scale markets which were completed or under construction came to 152. Some 300,000 peasants entered small towns to engage in industries and trades and initiate tertiary industry, thus playing an important role in enlivening circulation and causing the urban and rural economy to flourish.

2) Sustained progress was made in industry, communications, and capital construction, and improvements were made in economic results. Through reforms, enterprises on the industrial, communications, and capital construction fronts were vitalized; the broad masses of cadres and workers of these enterprises were further aroused with enthusiasm; and the development of production was promoted. In 1984, the total industrial output value of the province increased by 14.9 percent over the previous year. Profits and taxes realized by industrial enterprises covered by local budgets, and profits and taxes handed over to the higher levels by these enterprises, increased by 15.9 percent and 8.5 percent, respectively, over the previous year. The number of money-losing enterprises was reduced from 278 in the previous year to 137. The amount of deficits was reduced by 46 percent from the previous year. The province persistently applied advanced technology to transform traditional industry and paid attention to improving the quality of products and developing new products. In 1984, the province undertook

1,904 projects for innovations and transformation. Investment in the industrial and communications fronts reached 750 million yuan. Of these projects, 1,064 were completed and put into operation; these projects involved 529 million yuan in investment, and showed an increase of 94.1 percent over the previous year. The province developed 1,796 types of new products, 137 of which reached the national advanced level. Better achievements were made in creating quality products. The province's 17 products respectively won state golden prizes and silver prizes, and 455 products were awarded as provincial quality products. In the period January to May of this year, a good situation in industrial production was sustained; the total industrial output value reached 13.79 billion yuan, an increase of 22.5 percent over the corresponding period of 1984.

Better achievements were made in the completion of capital construction projects and, in particular, key construction projects. In 1984, the province invested 2.74 billion yuan in capital construction. Eight large and medium-sized construction projects, including the Jidong cement factory and Xingtai metallurgical rolling mill; and single projects, including the No 6 generating unit of Douhe power plant, were completed and put into operation. This added reserve strength to economic progress. It is pleasing that reconstruction after the Tangshan earthquake was accelerated. As of the end of May 1985, more than 193,000 families moved into new houses. It will be possible to realize the work of letting all earthquake-stricken people move into new houses by the end of this year.

Rapid progress was made in communications and postal and telecommunications undertakings. In 1984, the volume of goods circulation by various transportation means reached 7.42 billion tons, an increase of 46.3 percent over the previous year. Rapid progress was made in individually-owned transportation service. The individual households across the province owned more than 21,000 buses and trucks. They have been a vital new force on our province's transportation front. Civil air routes were opened in Shijiazhuang and Qinhuangdao cities, successively, last October. The business volume on the postal and telecommunications front increased by 10.3 percent over the previous year.

3) Channels for circulation were further cleared and the markets were brisk day after day. The whole province gradually formed a system of having various economic sectors with a focus on state commercial enterprises, adopting various forms of business, and opening various circulation channels. This vigorously promoted the development of industrial and agricultural production and made things convenient to the livelihood of urban and rural people. In 1984, the total volume of commodities purchased by the state commercial enterprises and supply and marketing cooperatives reached 13.52 billion yuan (not including foreign trade purchases), an increase of 17.9 percent over the previous year. The volume of retail sales of commodities reached 16.8 billion yuan, an increase of 25.3 percent. The business volume of urban and rural trade fairs reached 2.32 billion yuan, an increase of 32.2 percent over the previous year.

The province, focusing on Qinhuangdao, ceaselessly strengthened the work of opening to the outside world. Economic and technological cooperation with external areas was expanded. Last October, our province held its first international trade fair on economic and technological cooperation. Foreign funds were absorbed and technology was imported. In 1984, the volume of purchases of export commodities of our province showed a 1.4-percent increase over the previous year, and the volume of foreign trade exports increased by 11.9 percent. More than 130 contracts on technology import and foreign capital utilization were signed. Both the number of contracts and the volume of utilized foreign capital exceeded the total of the previous 5 years.

4) Revenue increased steadily, and the people's living standards were improved. Thanks to vigorous efforts to attend to financial work, strengthen tax collection, and rationalize expenditures, governments and financial and tax departments at various levels further improved the province's financial situation. In 1984, the revenue was 3.91 billion yuan, and the expenditure was 3.586 billion yuan. In this way, we achieved a balance between the revenue and the expenditure with a small surplus. Prefectures, cities, and counties overfulfilled their revenue quotas by 258 million yuan. No counties had their expenditures surpass their revenue in 1984, and the number of subsidy-dependent counties also declined. What should be pointed out is that the provincial government always regarded educational development as a major aspect for which the expenditure was used in recent years. In 1984, the province's expenditure for education was 598 million yuan. This showed a 49.4-percent increase over 1980, averaging a 10.6-percent growth annually, and exceeding the annual growth of 6.1 percent of the provincial expenditure. From January to May, the province's revenue collection continued to be fairly good, realizing 1.8 billion yuan, which represented an increase of 14.6 percent over the same period of the previous year.

Following the development of production, the people's income increased in urban and rural areas. According to a sample survey of statistical departments, the per capita income of peasants was 345 yuan in 1984, 47 yuan more than in 1983, and the per capita living expense of urban residents was 554.5 yuan, 75.4 yuan more than in 1983.

5) Fairly good results were achieved in science and technology, education, and public health. In 1984, 731 scientific and technological achievements were assessed and approved. Of the 209 achievements which were assessed and approved under plans, 139 were put into use, and the application rate was 80 percent. Microcomputers were used at 1,010 units, and 53 technical difficulties were tackled by microcomputers. Eight of these achievements were awarded at national appraisals. For the overall technological development and research for the Taihang Shan, Yan Shan, and Heilong Harbor, 27 scientific research projects were completed, and more than 70 applicable relevant technologies were popularized. Fairly great progress was made in holding technology fairs and turning technology into commodities more rapidly. In

1984, various types of technical service organizations at and above the county level throughout the province were increased to more than 700; more than 1,000 technology exchange and trade fairs, science and technology fairs, and meetings to publicize technical information were held; and more than 20,000 scientific and technological achievements were displayed. This was conducive to transferring scientific and technological achievements to production use more rapidly, and to promoting economic development.

Education progressed in the course of reform. In 1984, the enrollment of institutes of higher learning registered a 21.3-percent increase over the previous year. Secondary education was restructured. In the province, every county had a key agricultural technical middle school, about 25 percent of the counties established vocational middle schools, and various cities also opened a number of vocational middle schools. Students of various categories of vocational and technical schools amounted to 34 percent of the total of the schools at the same level as senior middle schools. In this way, we achieved an initial change in the province's unitary secondary educational structure. Higher education for adults and the work of running schools through various social channels also developed considerably. Reform of rural primary schools won still wider support in society. In 1984, townships and villages in the province collected more than 150 million yuan for educational reform, thus continuously improving their teaching facilities and educational quality. Preschool education drew further attention of various circles. In 1984, the province established two schools to train teachers for preschool education, some teacher training institutes and agricultural and vocational middle schools opened teacher training classes for preschool education, and 626 kindergartens and nurseries were set up in cities and towns of the province.

While improving the existing equipment and medical conditions of hospitals, health departments actively encouraged the establishment of hospitals through various channels. Throughout the province, self-employed practitioners who had obtained approval totaled more than 9,600, and hospitals run with funds collected from various sources of society totaled 317. Fairly good results were also won in the urban and rural patriotic public health campaign, in creating civilized hospitals, and in preventing and curing endemic diseases.

Certain achievements were scored in family planning work. The province's natural population growth was 11.32 per thousand in 1984, basically fulfilling the planned quota.

6) The apparatus of political power and the legal system were further strengthened. In 1984, our province comprehensively completed separating government administration from commune management and establishing township governments, thus establishing 3,676 township and town governments (restored and newly established townships of minority nationalities totaling 87), and some 50,200 villager committees.

Procuratorial, judicial, and public security departments continued the struggle to deal severe blows to serious criminal offenses, and exerted vigorous efforts to tackle public security problems comprehensively. Criminal cases dropped by 40 percent from that of the previous year. In the economic field, a group of major economic cases were investigated and handled, and notarial and lawyers' work was further strengthened. All this effectively safeguarded social order, remarkably improved social conduct, and ensured the smooth progress of economic construction and the economic reform.

The masses of commanders and fighters of the PLA units stationed in our province, and the masses of cadres and militiamen of the armed forces departments actively took part in the building of the two civilizations, and made great contributions to restructuring the economy and safeguarding the four modernizations.

Fellow deputies, the remarkable achievements we won over the past year proved the correctness of the series of principles and policies of the CPC Central Committee and the State Council. These achievements should be attributed to the people of the province who fought in unison, went all out to make progress, were eager for reform, and worked diligently. Here, on behalf of the provincial government, I extend heartfelt gratitude to the people across the province. However, some problems still existed in our work which we must not neglect. Major ones included poor economic results; rather large-scale capital construction not covered by plans, which resulted in a shortage of funds, raw materials, power, and transport facilities; and the poverty and backwardness of the Bashang areas, which did not undergo remarkable changes due to our inefficiency and the serious drought that continued successively 3 to 5 years. In addition, in the second half of last year, particularly in the fourth quarter, more money was put into circulation, consumption funds increased rather too rapidly, and some units and departments engaged in unhealthy trends, such as arbitrarily issuing bonuses and materials, and raising commodity prices. This interfered in the reform to varying degrees. However, the provincial government failed to fully estimate the rapid and fierce development of unhealthy trends, and the disregard of some units and individuals of organizational discipline, orders and prohibitions; in particular, the consequence of excess input of currency into circulation and the excessive growth of consumption funds. Judging from the work of the provincial government, the aforementioned problems resulted from our insufficient attention to macroeconomic guidance and management, our perfunctory work, and insufficient investigations and study. The provincial government should be responsible for them. This is an important lesson. I hope that you fellow deputies and personages from various circles will conduct criticism against government work, and strengthen supervision and guidance over it.

2. The Situation and Experience in the Economic Structure Reform during the Past Year

In 1984, the province began to carry out the entire economic structure reform focusing on the urban economy. To seek unity of understanding and action, and to ensure the smooth development of the reform, we have conscientiously reviewed and summed up the reform work during the past year.

In early 1984, we began to explore the reform of the urban economic structure in the course of continually perfecting the system of contracted responsibilities on the household basis with remuneration linked to output in rural areas, vigorously readjusting the rural industrial structure, actively developing the town- and township-run enterprises, and constantly promoting the development of commodity production. In the course of reform, centering on the invigoration of enterprises, the small state-run enterprises and collective-run enterprises in particular, we adopted the method of "being owned by the state and managed by collectives" among small state-run enterprises, adopted the method of "carrying out independent management, and assuming sole responsibility for profits or losses" among collective-run enterprises, and reformed the management system of the past in which the state exercised excessive and rigid control over enterprises, thus bringing a new atmosphere to the urban economic life. We then streamlined the administrative procedures and delegated powers to lower levels, centering on invigoration of enterprises. In line with the guidelines of the pertinent documents of the State Council, we expeditiously delegated to lower levels the powers to map out production and management plans, to sell products, to fix product prices, to choose goods and materials, to use capital, to manage assets, to staff organizations, to manage personnel and labor, to issue wages and bonuses, and to organize cooperation, thus expanding the autonomy of enterprises. At the same time, various departments and bureaus directly under the provincial authority transferred a number of provincial-run enterprises to the prefectures and cities where these enterprises were located. In the field of the circulation system, we merged the provincial-run second-level wholesale stations and the city-run third-level stations, increased the number of wholesale shops and extended the shops to lower levels, established various kinds of trade centers, expanded the scale of market regulation, and supported peasants to engage in industries and trades and develop secondary and tertiary industries in urban areas. In the field of finance, we further improved the management system of "apportioning revenues and expenditures between the central and local authorities, while holding the latter responsible for their own profits and losses." In cities, we adopted the method of letting cities retain a portion of the increased revenue after putting the revenue into different categories. In prefectures and counties, we adopted the method of letting prefectures and counties retain all the increased revenue. Last October, we carried out, across the province, the second step of shifting from the profit-delivery system to one of taxation, and established relatively stable distribution relations between the state and enterprises. In the field of opening to the outside world and to other provinces and regions in the country, we encourage enter-

prises to break regional blockades to carrying out reorganization and co-operation, centering on cities. We allowed various cities to conduct direct economic and technological exchanges and cooperation with traders in Hong Kong, Macao, and other friendly foreign cities and countries, and delegated a part of powers to cities to examine and approve the items on importing technologies and utilizing foreign capital. Based on this, various professions and trades used the experience gained in rural reform for reference to introduce various forms of the economic responsibility system, with the contract system as the key. In the course of being responsible to the competent authorities in management, various industrial and commercial enterprises implemented within themselves various forms of the economic responsibility system and the system of plant directors (managers) assuming full responsibility. Among building enterprises, contracts were signed to fix the amount of investment in capital construction items, to fix the open bidding system, and to fix the amount of wages for every 100 yuan worth of finished work. Among coal industrial enterprises, contracts were signed to fix the amount of wages for producing 1 ton of coal. Among scientific research institutions, we implemented the system of the institution director assuming full responsibility, the system of signing contracts for tackling scientific and technology problems, and the system of rendering technological services that list remunerations. All these reforms carried out within enterprises (institutions) effectively mobilized the initiative of cadres, workers, and staff members, and promoted the development of production and the improvement of economic efficiency.

In 1984, in order to shift the program of urban reforms from transformation of single items or partial problems to a program with comprehensive and coordinated activities, we assigned the cities of Shijiazhuang, Handan, Tangshan, and Qinhuangdao to take up the pilot work of conducting comprehensive reforms and delegated much power to them in economic management. Through practice during a period of 1 year, the central cities have steadily enhanced their influence and attraction and the urban economic structure has also begun to change its nature from a closed one that has only vertical contacts between departments and regions to an open one that is filled with networks. The experience gained by Shijiazhuang City in conducting "ramming and reacting" [zhuang ji fan she shi 2326 2345 0646 1410 1709] reforms in a comprehensive way while concentrating on enlivening enterprises has taken shape through bold exploration. This experience is being popularized throughout the province.

Following the issuance of the "decision" of the CPC Central Committee with regard to conducting reform of the economic system, we, in line with the spirit of the "decision", have continuously simplified administration and delegated much power to the lower levels, thus bringing about consolidation among some administrative or semi-administrative companies, changing the affiliated relationships among most provincial-owned enterprises, and separating government work from enterprise management. We have stressed that the government organs should shift their attitude from a "command type" to one of "service," resolutely implement the eight functions set forth by

the "decision" for economic management, strengthen their work of making overall and harmonious arrangements and exercising supervisory and service duty, and unswervingly delegate the "six rights" set forth by the "decision" totally to enterprises. In conducting reforms in managerial systems for planning, we have expanded the scale of guidance plans while curtailing that of mandatory ones, paid attention to applying the market mechanism to bring into play the role of the law of value and of economic levers, and have greatly developed the socialist commodity economy in a planner manner. In order to strengthen macro-guidance over economic work, we have also held mass discussions throughout the province on economic strategy, science and technology, and social development, studied the province's situation, and have formulated the "strategy" of the province concerning the economy, science and technology, and social development. At present we have begun to conduct reforms in the price systems and to carry out overall reforms in the systems of wages, science and technology, and education.

In reviewing the practice of reform conducted over the past year, we have learned the following four points from it:

1. We must continuously emancipate our minds, eliminate "leftist" influence, do away with the trammels of natural economic ideas, and resolutely foster the idea that the planned commodity economy represents the socialist economy.

For a long period in the past people always set the planned economy against the commodity economy and negated the commodity economy belonging to the socialist economy. As soon as someone mentioned developing commodity production, they regarded it as indulging in capitalism. Such a "leftist" point of view is the crux of the province's longstanding backward situation in the commodity economy. Before the 3d Plenary Session of 12th CPC Central Committee, we repeatedly stressed that efforts should be made to emancipate minds, to open more ideological avenues, to widen the field of vision, to steadily eliminate the "one leftist" and "two outdated" influences, to deal with problems cropping up in the cadre ranks with regard to "slow reaction in politics and conservative ideas," and to foster an idea of vigorously developing the commodity economy. We also organized a large number of government officials to go to outside places on observation and study tours and also invited some experts and scholars to give academic lectures in the province. All of this has played a very important role in vigorously developing commodity production throughout the province and upgrading the strength of the social productive forces on a large scale. Following the 3d Plenary Session of the 12th CPC Central Committee, we have made a leap forward in ideology and defined the planned commodity economy as truly belonging to the socialist economy. Meanwhile, we have regarded our above-mentioned achievements as an important basis in conducting reforms in various fields, thus bringing about steadily deepening activities in reforms. This is an important reason why our province has achieved faster

development in conducting reforms in the economic system and also is a relatively prominent characteristic in the province's drive for conducting reforms.

2. We should be brave to explore in order to reform, and advance in the course of continuous explorations. Over the past year our reforms in various fields were carried out in line with the guiding ideology of "being brave and taking sure steps" and in a step-by-step manner from minor, simple, and partial reforms to major, complicated, and overall ones in the course of exploration and summarization. However, some flaws and mistakes emerged in the course of reform because of our lack of experience. To counter this, we resorted to continuous explorations and practices to improve and to enhance our understanding. Practices in the past year enabled us to understand profoundly that reform is a course of continuous exploration and creation. Reform developments lead to a better and more thorough understanding of the people, which in turn promotes it. The repeated course of going deeper in reform, understanding, and reform and understanding again constitute a course of continuous improvement of understanding and continuous development of reform. This was the case for our past reform, and which should continue to be so in the future too.

3. We should persistently seek truth from facts and proceed from reality in doing everything. Over the past year, in giving guidance to both rural and urban reforms, we paid attention to thorough investigations and studies, put forward various reform measures to suit different localities, trades, and conditions, and strictly guarded against same patterns and uniformity. In developing rural commodity production, we divided the province into Bashang highland area, Yan Shan mountainous area, Taihang Shan mountainous area, the plain area in the eastern part of the province, the plain area along the Beijing-Guangzhou Railroad, Heilong Harbor area, the coastal plain area, and the economic areas around Beijing and Tianjin, and gave different guidance according to specific local conditions. In developing industrial production, we adopted various reform measures to suit the different conditions of different types of enterprises, and enforced multiforms of contract methods and the economic responsibility system. Because these measures were realistic, productive forces were greatly emancipated, and commodity production expanded.

4. We should take typical cases as a guide and promote the overall situation. In the course of reform, we strived to discover, sum up, and popularize the successful experiences of the masses in a timely manner. In rural areas, we summed up and popularized the experiences of Baoding and Langfang prefectures in launching large-scale discussions on the strategy for "achieving a 100-percent increase and comparatively well-off living standards", and the experiences of Baoding Prefecture in holding large-scale discussions on ways to achieve a 100-percent increase and prosperity by "visiting the rich to seek methods, visiting the poor to help them become better-off, and visiting the able persons to ask for ways". In restructuring the urban economy, we summed up and popularized the experi-

ences of Shijiazhuang City in carrying out "ramming and reacting style" of overall reforms in various fields aiming at invigorating enterprises, and summed up the typical experiences of large and medium-sized enterprises in enforcing the business contract system, importing technology, organizing for cooperation, and rendering services. This greatly promoted the urban economic reform, and enabled large and medium-sized enterprises to become more vigorous.

Over the past year, although we have made some progress in the province's economic reform and gained some experiences, the tasks for reform remain arduous, and our responsibilities remain heavy. We will always be clear-minded, continue to explore, sum up experiences and lessons in a timely manner, and deepen the reforms in a down-to-earth manner.

3. We should Continue to Advance the Economic Reform, and Promote the Sustained, Steady, and Coordinated Development of the Economy.

The year 1985 is the first year in which we will carry out the decision of the 3d Plenary Session of the 12th CPC Central Committee in an all-round manner. Already half a year has passed, and the tasks for the second half are urgent and arduous. We should comprehensively implement the various tasks as stipulated in the 1985 work outline of the provincial CPC committee and government. We should seize the golden opportunity of reform, unswervingly continue the overall reform of the economy with the focus on the urban economy, and promote the comprehensive and coordinated development of the national economy.

We should fulfill the various economic targets for 1985 and attach primary importance to raising economic results. The total output value of agriculture should increase 6 percent over 1984, and that of industry, 8 percent. We should also ensure the fulfillment or overfulfillment of the state-assigned financial revenue task of 4.107 billion yuan, an increase of 8.2 percent over the previous year if calculated in terms of comparable items.

We should guarantee the smooth progress in reform of the wage and the price systems. Various preparatory work for the province's wage reform is being vigorously carried out in accordance with the plans of the central authorities. The government at all levels and the various localities, departments, and the relevant units should manage things strictly in accordance with the policies stipulated by the state and should not exceed the wage target set by the state. We should organize all personnel to conscientiously study the wage reform plan and the relevant documents and fully understand the objective, meaning, and prospects of this wage reform. We should enhance our concept of the whole situation, strengthen unity, and do a good job in wage reform. This year we have already initiated several price reform items. The various localities reflected preliminarily that the market is stable, the feelings of the urban and the rural people are calm, and the situation is better than we expected. However, we should not treat things lightly.

We should pay close attention to the changes in market prices. All relevant departments should maintain close cooperation, do their work well, and resolutely guard against price fluctuation.

We should pay great attention to relief work and the work of supporting and helping the poor. As for those who emigrate from the remote, old mountainous areas, from the poverty-stricken areas in Chengde Prefecture, and from the reservoir areas in particular, we should adopt specific policies and measures, organize production in a down-to-earth manner and in accordance with local conditions, and achieve marked improvements in making these poverty-stricken areas become prosperous within a short period of time.

We should do a good job in formulating the Seventh 5-Year Plan. While discussing and formulating the strategic plans for economic, scientific, technological, and social development, we should do more analysis and research, display our favorable conditions in line with our province's actual situations, grasp the major points, and clarify the main direction of the Seventh 5-Year Plan period. We should continue to take the development of agriculture, energy, communications, education, and science as our main economic strategy. Meanwhile, we should also consider the development of the textile industry, light industry, machinery and electric power industry, processing industry, building industry and the three mountains, one sea, and one plateau (the development of the Taiheng Shan, Yan Shan, Heng Shan, the coastal areas of Bohai and Bahang), as important aspects of the Seventh 5-Year Plan. We should give priority to developing these aspects, achieve prominent breakthroughs, and create conditions for the economic leap forward in the next 10 years.

In order to fulfill the various tasks for 1985, and to ensure the smooth advance in the reform of the economic structure, we should grasp the following tasks well in the second half of this year:

1. We should focus our work on invigorating enterprises and deepen reform of the urban economic structure.

We should continue to actively popularize the experience of Shijiazhuang City in invigorating enterprises and conducting the "ramming and reacting style" of reforms in various fields. The experience of Shijiazhuang City has blazed a new trail in reform of the economic structure, and has a universal guidance significance. The various localities and cities should pay great attention to such experience, study it repeatedly, and conscientiously popularize it in line with reality. In addition, we should cultivate our own examples, sum up our own experience, and promote reform in an entire area.

We should continue to simplify administrative procedures and delegate powers to the lower levels. We should conscientiously implement the policies and measures adopted by the provincial people's government concerning reform,

and eliminate "intermediate blockades" in order to delegate all due powers to enterprises. After changing the administrative units to which enterprises belong, various city people's governments should also simplify administrative procedures and delegate powers to the lower levels, should separate government administration from enterprise management, and should not retain the powers which should be delegated to enterprises. In line with the method of first changing the functions and then changing the organizations, the department in charge of economic work under the people's governments may carry out relevant reforms, should actively assume responsibility, should conscientiously perform the "eight functions" for the economic departments under people's governments, and should strengthen overall planning, coordination work, and supervision and service work.

We should invigorate large and medium-sized enterprises. We should encourage enterprises to fully use the powers entrusted to them by the state to successfully carry out reforms among themselves. We should reform the management system of enterprises, implement the system of plant directors assuming full responsibilities, and establish a united, powerful, and efficient system for directing production and management. As the situation may require, we should establish and perfect various forms of the economic responsibility system, implement the management contract system on the basis of substituting taxes for profit delivery, and correctly treat the relations between the state and enterprises, between individual workers and staff members, and between enterprise and managers. We should improve and popularize the system of factory directors and managers assuming responsibility in management, combine economic efficiency with the interests of enterprise owners, and fully mobilize the initiative of enterprise owners. Large enterprises should, as the case may require, change from being big and all-inclusive to being small and professional, should properly reduce the accounting units, should let workshops and branch plants conduct independent accounting, respectively, should further invigorate enterprises and raise the competitiveness and ability to meet an emergency. We should continue to adopt effective measures to further invigorate small state-run enterprises and collective-run enterprises. We should strengthen macroscopic guidance of small state-run enterprises and collective-run enterprises in order to avoid blind development.

We should achieve success in overall urban reform and give full play to the function of cities. In line with the respective characteristics and favorable conditions, each city should readjust the structure of production and vigorously develop the tertiary industry. The urban areas should attend to the construction of various kinds of markets, continue to develop and improve the consumption markets, expand and develop the production means markets, banking markets, technological markets, information markets, and labor service markets, and strengthen the city's ability to render comprehensive services. Cities should open up their doors and attract industrial and commercial enterprises, individual businessmen and traders, and peasants inside and outside the province to enter the urban areas to run plants and shops and to engage in business in order to make cities truly become a place

where a very great number of traders gather in crowds. In the course of competition, all cities should strive to flourish their commerce and promote the progress of industry and other trades. Urban enterprises should vigorously develop the transregional and multiprofessional associations and cooperations, and gradually spread some of their products, technologies, competent persons, information and funds to the towns and countryside around them in order to promote the flourish and development of economic zones.

2. We should rationally readjust the production structure of rural areas and further develop the rural commodity economy.

We should actively readjust the structure of the cropping industry in line with the principle of never relaxing grain production, and vigorously developing diversified undertakings. Although our province has reaped bumper harvests in grain year after year, the amount of per-capita grain has been lower than the national average. Each year there are some disaster areas suffering from a grain shortage. Along with the development of the food industry and animal husbandry, and with the expansion of foreign markets, the demand for grain will increase constantly. Therefore, we should never relax grain production. All places suitable for growing grain should attend to growing grain, and ensure a stable increase in grain output. Meanwhile, we should develop the products which are in short supply and improve the quality of grain, in line with market needs. It is wrong to neglect the cropping industry, grain production in particular. We should strictly control cotton-growing acreage, and the fixed quotas for cotton purchasing should never be exceeded. We should develop the growing of vegetables, fruits and other cash crops in line with local conditions. We should vigorously develop the feed industry, and rapidly promote the animal husbandry and breeding industry so as to change grain production to production of other foodstuffs.

In the Taihang Shan, Yan Shan, and Heng Shan remote mountainous and old revolutionary base areas, and the Bashang area of our province, commodity production is underdeveloped and the economy is backward. These areas should free themselves from the shackles of the principle of "taking grain as the key link", and the natural economy of self-reliance and self-sufficiency, truly proceed from reality, carry out overall development of land resources, give full play to their advantages in resources, and develop commodity production vigorously so that they can become better-off step by step. Mountainous areas should focus on afforestation, fruit production, animal husbandry, and mining, and do a good job in developing small valleys. They should start with mining, the building materials industry, and cattle, sheep, hog, chicken, and rabbit raising, which require less investment and yield quicker and better results, and with fruit production and processing. Coastal areas should emphatically accelerate development and utilization of beaches while developing sea fishing. They should greatly develop aquiculture focusing on prawn breeding, develop industrial production focusing on the salt chemical industry, and vigorously develop market towns, harbors, and communications and tourist undertakings in coastal areas.

The Bashang highland areas should stress animal husbandry, actively turn farmland into forests and grassland, expedite artificial grassland construction, readjust the pattern of animals, accelerate the improvement of animal strains, and gradually turn themselves into animal byproduct bases. We should develop the intellectual resources of these areas more rapidly, actively develop vocational and technical education, train the qualified persons urgently needed in these areas, organize forces to popularize general, scientific, and technical knowledge in the mountainous areas, and conscientiously work for the development and construction of these areas.

Our work of supporting the poor and those plagued by natural disasters should be focused on the Bashang area and the remote mountainous areas and revolutionary base areas. We should include the work to change the features of these areas in the overall plan for rural economic and social development. The provincial, prefectural and county government working personnel should frequently go to these areas and earnestly help them solve practical problems and difficulties. We should issue relief grain, money and cloth in a timely manner so that no problems will arise in the people's livelihood. We should reduce and exempt taxes from the peasants according to tax laws and provide them work as a form of relief in order to increase their income. We should pool financial and material sources to solve water supply problems for people and animals, help the people build roads and develop communications and transportation, help them develop local resources and commodity production by providing technology, qualified personnel, information and funds in a timely manner, and help them increase economic vitality, eliminate poverty once and for all, and achieve prosperity.

We should develop township enterprises in a planned manner. Traditional industries and products should be restored and developed in line with local conditions. We should place the emphasis on developing the food and animal feed industries, the overall processing of cotton byproducts, expand the building materials industry and mining, and set up more commercial, service, communications and transportation units. Township enterprises should be established mainly with the funds raised by peasants. Governments and relevant departments at various levels should do a good job in their service by supplying technology, information, and qualified personnel, and help peasants select the projects to be undertaken, improve management, and achieve better economic results. At present, the peasants' enthusiasm for establishing township enterprises is very high. We should first support them and, secondly, strengthen guidance for them. We should adopt measures suitable to local conditions and social needs, act according to our capacity, and guard against and overcome blindness.

At present, the problems of arbitrarily expanding housing areas and occupying farmland are more serious, and all localities should solve them with effective measures.

3. We should strive to increase revenues and cut expenditures and provide more financial sources to reform and construction.

We have achieved a fairly great increase in our revenue over the past 2 years because we reformed our financial management methods, allowing the prefectures, cities, and counties a considerable portion of the increased revenue, and because we delivered to the central authorities some 80 million yuan in revenue for prefectures and counties last year. Judging from the overall situation of the province, therefore, our financial capacity has increased fairly greatly, but the financial resources of the departments at the provincial level is still very strained. It is hoped that everyone will understand the difficulty of the government and help it in increasing revenues and cutting expenditures so that the financial situation can be further improved and the smooth progress of the wage and price reforms can be guaranteed.

In 1985, the province will enforce, among prefectures and cities, a measure regarding "differentiating the category of taxes, fixing the quota of financial revenues and expenditures, and enforcing responsibility systems at all levels." Except for the part handed over to the state, various cities may share the surplus after classifying the increased incomes and various prefectures and counties may totally retain their increased incomes. The people's government at all levels should master the method of managing affairs and money, conduct financial accumulation, vigorously increase the output of products urgently needed by markets or which are in short supply, adopt all ways and means to lower costs, and greatly increase profits. They should be determined to close enterprises that have suffered losses due to poor management, to suspend their production, to merge them with others, to shift their production into others, and to set up economic cooperation among them. In 1985, we will establish financial units among townships, consolidate financial affairs at the township and village levels, formulate regulations, rules, and systems in this regard, strengthen management over financial affairs, and will effectively prevent apportioning arbitrarily in order to lighten the people's burdens.

We will further enhance tax revenue work. In line with the provisions, we must enable the enterprises whose conditions meet to enforce the system of replacing profits handed over to the state with taxes. We should resolutely adopt effective measures to deal with tax evasion. Efforts should be made to strengthen the supervision over the tax payments of state and collective-run enterprises and the management over the collecting work of miscellaneous taxes in order to collect all money that deserves to be collected.

We will strictly manage financial expenditures and concentrate all financial resources on key expenses. Except for the inevitable normal expenditures, in 1985 we will be sure to spend some money on conducting reforms in the wage and price systems and to use the surplus as much as possible for the program of developing intellectual resources. We will conduct collective approval for the bigger items of expenditures. The people's governments at all levels should uphold the "unified principle" in approving the applications of expenses in order to prevent giving permission arbitrarily. The budget of administrative funds at all levels should be reduced by

10 percent in line with the actual figure of 1984 expenditures. The administrative expenses of enterprises, establishments, and units should be also reduced by 10 percent. We will conduct strict control over collective purchase power, practice economy, and combat waste.

We will strengthen guidance and management over activities of the macroeconomy. The urgent task we face is to resolutely control the volume of currency. We will strictly control the excess increase of consumption funds by strictly controlling the scale of investment in fixed assets and particularly in the projects not covered by the budget. Efforts should be made to achieve a balance between financial revenues and expenditures. The banks at all levels should strengthen guidance and readjustment over the macroeconomy, strictly control the scale of credits and loans and the volume of currency, and should strive not to surpass the annual plan for currency release. The departments of financial revenues, banking, audit, tax revenues, price management, statistics, and industrial and commercial administration should earnestly perform their duties, strengthen their study to develop the macroeconomy and conduct economic readjustment, bring into full play the role of economic levers, and do a good job in bringing about harmonious, balanced, and readjusted development among various sectors in the economy.

4. We should continuously conduct reforms in commercial systems and further enliven commodity circulation.

In line with the demand for opening more circulation channels, carrying out various types of circulation, adopting various measures for commodity circulation, curtailing the number of links in commodity circulation, and conducting open business transactions, we should further conduct reforms in the commercial wholesale system. The major task in this regard is to do a good job in opening various trade centers and wholesale markets and establish various wholesale networks and units at the grassroots level. The large- and medium-sized retail enterprises should further improve their business responsibility systems. The state small retail enterprises and service and repair trades may gradually change their ownership to collective ownership by signing a temporary lease contract. Small state enterprises that have suffered losses may be also sold to the collectives of staff members and workers and to individuals. The cities that have taken up the pilot work of comprehensive reform may assign one or two enterprises to enforce the system of selling stocks. Efforts should be made to actively find the way to conduct reforms in the system of material management in order to develop markets for production means.

We should turn supply and marketing cooperatives at all levels from "government cooperatives to people's cooperatives" as soon as possible and change the stress of work from management alone to management, production, and service in order to build the supply and marketing cooperatives into rural general service centers. We should enthusiastically promote the readjustment of the rural production structure, offer market information to the peasants in a timely manner, instruct the peasants to organize production in line with market needs, sign procurement contracts

with the peasants in advance, open avenues for selling cotton, expand purchasing and marketing of other farm and sideline products, and help peasants seek wealth through hard work. Grain departments should make efforts to achieve the work of fixing quotas for purchasing grain and edible oil on a contract basis and purchase grain and edible oil in accordance with fixed prices. The grain and edible oil not covered by procurement contracts should be purchased and marketed through negotiations. Lateral cooperations with the units within and outside the province should be developed. Efforts should be made to expand the export of grain and edible oil. We should further develop various channels for grain and edible oil management. Collectives and individuals in the remote mountainous areas, oil revolutionary bases, and the Bashang area are encouraged to engage in transporting and marketing grain and edible oil, to set up grain and edible oil shops, and to establish grain and edible oil trade warehouses in a planned manner. We should develop purchasing and marketing households in urban and rural areas in order to enliven grain management.

After the reform of the price system, state commercial enterprises and supply and marketing cooperatives should conscientiously play a key role in implementing the system. In particular, food companies and vegetable companies should take responsibility for ensuring food and vegetable supplies and maintaining price equilibrium; and organize forces to ensure sources of goods, in particular the supplies of people's necessities, including hogs and vegetables, in order to ensure good market supplies. We should resolutely prevent state enterprises from arbitrarily hiking prices. This is the key to stabilizing the prices of goods. Pricing departments and industrial and commercial administrative departments should conscientiously strengthen market and price management, examination and supervision. Strict punishment and blows must be given to those who arbitrarily raise goods prices, engage in speculation and profiteering, and reap staggering profits.

5. We should further boldly open to the outside places and expand economic and technological exchange.

We should enthusiastically develop international economic and technological intercourse and exchange. Returned Overseas Chinese, their relatives, Overseas Chinese, and Hong Kong and Macao compatriots should be aroused with enthusiasm for loving the country and their hometowns. Efforts must be made to expand external trade and the work of bringing in technology, equipment, funds and talented personnel from abroad. Priority should be given to large and medium-sized enterprises in newly emerging industries, and projects that may create high foreign exchange in using foreign funds and imported technology. We should attach importance to the technological transformation in the textile, medical, ceramics, food, forage, building materials, mining, machinery and electric, metallurgical and coal industries. We should persistently follow the path of "import, digestion, development, and creation", ceaselessly improve equipment and technology, and strengthen the products' competitiveness. We should strengthen control and management over using foreign exchange in an effort to keep a balance between income and spending of foreign exchange.

We should further explore ways for conducting reform of the foreign trade system, achieve the combination of industrial, agricultural and technological trades, strive to fulfill this year's export task, and make efforts to export more commodities and create more foreign exchange. We should foster the idea of giving priority to exports. If there are contradictions between goods supplies in domestic and international markets, we should give priority to ensuring the goods supply in international markets. We should enthusiastically organize goods supplies in an effort to ensure a good supply of goods in accordance with export plans. We should achieve the upgrading and updating of traditional export commodities and improve the quality of these commodities in order to meet the needs of the international markets. We should make efforts to open new sources of goods and enthusiastically develop marketable export products. We should link the work of creating foreign exchange through exports with the use of foreign exchange so as to arouse the enthusiasm of localities and enterprises for exporting commodities and creating foreign exchange. We should enthusiastically organize and export labor service, vigorously develop tourism, and increase foreign exchange income. Simultaneously, we should further strengthen the development of Qinhuangdao to enable Qinhuangdao to open to the outside world, and even places in the country, and to bring into full play its role as a window among the coastal cities.

6. We should actively promote the reforms of science and technology, and the education system, and develop and train talented people on a large scale.

The decision of the CPC Central Committee on reform of scientific and technological structure and the educational structure is a programmatic document coordinated with the decision on economic reform and guiding the restructuring of science and technology and education. Reform has a bearing on the prosperity or decline of the country and the people, and on the accomplishment of the four modernizations. We should organize the masses of cadres, staff members and workers to conscientiously study and implement these two decisions and enhance their understanding of the importance and urgency of the development of science and technology and education, and reform of the scientific, technological, and educational structure. Governments at all levels should take a strategic view, place scientific, technological, and educational work high on their agenda, regard it as work of vital and lasting importance, and carry out the reforms of science, technology, and education conscientiously and successfully.

In restructuring science and technology, we should resolutely adhere to the strategic principle of relying on science and technology in carrying out economic construction and gearing scientific and technological work to the needs of economic construction. According to the actual conditions of our province, the most urgent task at present is to fully perform the functions of our province's existing scientific and technological forces so that they will make the greatest possible contributions to economic construction under present conditions. In the second half of this year we should focus on the following: First, we should restructure the

existing scientific research organs, expand their decisionmaking power, and help them gear their work to the needs of society and production, and serve economic construction still better. Second, we should strengthen regular technical training and extensively popularize applicable technologies which are "not conspicuous" but which yield quick results. Third, we should exert great efforts to open up technology fairs, expand technological exchanges, popularize and apply the existing scientific and technological achievements, promote the rational flow of technology and competent personnel, and increase the ability of enterprises to absorb and develop technology. Fourth, we should organize scientific research forces to tackle technical difficulties, focusing on those in economic construction, and carry out key scientific research projects.

Reform of the educational system should be carried out conscientiously in line with the guidelines of the CPC Central Committee's decisions. We should develop education with the same efforts we show in carrying out economic work, and be determined to push it forward. We should start with the popularization of primary education, continue to pay close attention to readjustment of the secondary educational structure, greatly develop vocational and technical education, and adult education, and train economic managerial personnel. We should attend to reform of colleges and universities, grant higher educational institutions more autonomy in running classes, and restructure the higher education. We should increase educational funds every year and improve teaching facilities as well as the living standards of teachers and administrative staff. We should emphasize the support and subsidies to poverty-stricken areas, such as remote mountainous areas and old revolutionary base areas. We should establish the good social practice of respecting knowledge, talented people and teachers, and attaching importance to education.

7. We should continue to promote socialist spiritual civilization, and closely coordinate education on ideals and discipline with reform.

We should educate and urge the masses of cadres and people to be builders of socialist modernization who possess ideals, morality and education, and who abide by discipline. We should guard against and overcome the corrosive influence of feudalism and corrupt capitalist ideas, and strictly prohibit all obscene videotapes, audio tapes, films, books and periodicals, and tabloids. We should give wide publicity to democracy and the legal system, popularize legal knowledge, strengthen the sense of the legal system, and improve the democratic system.

Carrying out family planning is a basic national policy of our country. To become relatively well-off, we must promote production and control the population growth, and neither can be dispensed with. Now our province is facing a birth peak. We must regard family planning as a basic strategic measure for the socialist modernization drive, strengthen leadership over the family planning work, and constantly pay attention to this work. We should place the focus of family planning work on the rural areas and strictly forbid second and multiple births not covered by the plan. Eugenics should be stressed in remote mountainous and old revolutionary

base areas. We should strengthen the propaganda and education on family planning, improve the policies concerning family planning, and enable cadres and the masses to consciously carry out family planning. People's governments at all levels should greatly commend those units and individuals who score marked achievements in family planning work, warmly support their work, help them solve practical problems, and give technical guidance to them in order to ensure that the provincial population growth rate is controlled below 11 per thousand.

Fellow deputies! We are inexperienced in the current economic structural reform, which is very complicated. We must concentrate our efforts on the reform, and be meticulous in study, planning, and giving guidance. In adherence to the ideological line of seeking truth from facts and proceeding from reality in doing everything, we should learn to observe and analyze problems in a dialectical and comprehensive manner. We should give different guidance in different cases, avoid seeking simplicity and uniformity in all affairs, and avoid blindness and subjective one-sidedness in work.

We should further reform, strengthen, and improve the structure of political power at the grassroots level in the rural areas. We should conduct investigation and study on building township political power, offer suggestions for further intensifying the building of organs of political power at the grassroots level in the rural areas, and give full play to the functional role of organs of political power at the grassroots level in managing the economy.

People's governments at all levels and all government officials should change the workstyle, go deep to the reality of life, conduct more investigations and studies, be diligent in thinking, be brave in exploration, listen to people's criticisms with an open mind, and strive to understand new situations and solve new problems. They should also conduct less idle talk and do more solid work. They should stress practical work instead of formalities. They should boldly assume responsibility and solve problems in a timely manner. They should be honest in word, rather than making a false report on achievements and concealing their shortcomings and problems. They should be modest and prudent and frequently catch sight of their own shortcomings. People's governments at all levels and all government officials should continue to implement the principle of struggling arduously and building the country through thrift and hard work, should firmly foster the idea of wholeheartedly serving the people, should be the first to bear hardships and the last to enjoy comfort, should be honest in performing their official duties, should be devoted to their duties, and should faithfully serve as the public servants of the people. They should consciously accept the people's deputies' supervision over the government work, modestly listen to people's criticisms of government officials, continually improve the work of governments at all levels, and strive to improve work in all fields.

Fellow deputies! We are now facing the extremely arduous but glorious tasks of economic construction and economic structure reform. Let us closely

unite as one under the leadership of the CPC Central Committee, the State Council, and the provincial CPC Committee, go all out to make progress together with the people throughout the province, and strive for success in all reform projects, for the invigoration of Hebei, for the fulfillment of the four modernizations, and for the prosperity and happiness of the people.

CSO: 4006/776

PROVINCIAL AFFAIRS

JILIN DRAFT REPORT ON ECONOMIC, SOCIAL DEVELOPMENT

SK030008 Changchun JILIN RIBAO in Chinese 8 Jun 85 p 2

[1985 national economic and social development draft plan of Jilin Province, delivered by Liu Quilin, vice chairman of the provincial Planned Economic Commission, at the third session of the Sixth Provincial People's Congress on 25 May]

[Text] Entrusted by the provincial People's Government, I now submit a report to the congress on our province's implementation and fulfillment of the 1984 national economic and social development plan and on the 1985 plan.

1. The results of the implementation of the 1984 plan. Stimulated by the party rectification and the reform of the economic structure, and through the concerted efforts of the people of various nationalities in the province, a new situation of sustained, steady, and coordinated economic development emerged in 1984. Remarkable achievements were made in the material and cultural lives of the people. All major targets of the 1984 economic and social development plan adopted at the second session of the Sixth Provincial People's Congress were fulfilled in a better manner. The total agricultural and industrial output value, the national income, the financial revenue, the average per-capita net income of peasants, the total grain and soybean output, and the output of 24 major industrial products attained or exceeded the targets set in the Sixth 5-Year Plan, 1 or 2 years ahead of schedule.

The total industrial and agricultural output value reached 27.69 billion yuan, an increase of 14.3 percent over the previous year.

The national income reached 14.73 billion yuan, an increase of 12.1 percent over the previous year.

1) We steadily developed agriculture and continued to substantially increase grain production. The total output value of agriculture reached 8.94 billion yuan, an increase of 16 percent over the previous year; that of grain and soybeans, 32.69 billion yuan, an increase of 10.6 percent over the previous year. Great progress was also made in forestry, animal husbandry, sideline occupations, and fisheries. The output of oil-bearing seeds increased 52.4 percent; that of flue-cured tobacco, 54.3 percent; and that of

cultivated ginseng, 26.9 percent. The afforested area increased 15.5 percent. The output of eggs increased 19 percent, that of milk, 32.4 percent; and that of aquatic products, 19.5 percent. The total output value of township enterprises reached 2.73 billion yuan. If calculated in terms of comparable items, the output value showed an increase of 35 percent over the previous year. The province's rural economy grew more and more specialized, commercialized, and modernized.

The meteorological departments strengthened their professional work and made positive contributions to serving agriculture and other specialized meteorological projects.

2) We achieved a sustained increase in industrial production and marked increase in economic results. The total industrial output value reached 18.75 billion yuan, an increase of 13.6 percent over the previous year. Of this, the output value of light industry increased 12.4 percent, and that of heavy industry, 14.3 percent. The energy and major raw materials industries also continued to grow. The output of raw coal increased 7.8 percent; that of crude oil, 7.2 percent; that of electricity, 7.7 percent; that of rolled steel, 7.2 percent; and that of cement, 12.8 percent. The output of the machinery and electronics industries rose by a large margin. The output of motor vehicles increased 24.3 percent over the previous year; that of small tractors, 70.7 percent; and that of television sets, 34.4 percent. Rapid progress was made in the textile, food, and animal feed industries. The output of household washing machines increased 81.5 percent over the previous year; that of cigarettes, 18.7 percent; that of woolen piece goods, 37.8 percent; that of beer, 41.4 percent; and that of animal feed, 150 percent.

The quality of products improved and product design and varieties increased. Some 16 products of the province gloriously won the state's quality awards and 61 products won department-level quality awards. The rate of steady quality improvements in major products reached over 90 percent. Some 1,200 new products were put into production. We increased some 6,500 new product designs and varieties.

The targets for communications, postal, telecommunications, and geological prospecting work were overfulfilled.

Marked improvements were made in industrial production and economic results. The profits and taxes created by budgetary industrial enterprises increased by 22.6 percent over the previous year. The amount of deficits incurred by money-losing enterprises dropped by 45.9 percent from the previous year, and the proportion of money-losing enterprises among all enterprises dropped from 15.8 percent in the previous year to 5.3 percent.

3) Urban and rural markets were brisk, and foreign trade developed quickly. The total volume of retail sales was 10.46 billion yuan, a 21.7 percent increase over the previous year. The provincial total volume of exports increased by 48.6 percent over the previous year; and that of imports, by 69.2 percent.

4) The pace of technological transformation was accelerated, and a number of key construction projects were completed and put into production. Of the 1,059 industrial technological transformation items covered by the unified provincial plan, 717 were completed during the year. Investment in this regard increased by 34.8 percent over the previous year, the highest for the past few years. Wholly people-owned units invested 1.45 billion yuan in capital construction, an 8.8-percent increase over the previous year. A total of 648 capital construction items were completed and put into production. The completion of the rebuilt, expanded, and newly built projects will play an important role in developing the provincial economy in a sustained, stable, and coordinated manner.

5) A new situation was created in the work of opening to the outside world, and a new step was made in the work of "three imports". Last year, the province signed 86 contracts with foreign traders on technological imports, and approved 15 contracts on developing joint ventures, cooperative and compensation trade, and leasing projects with domestic and foreign investments. At the same time, the province established regular or long-term cooperative relations with 17 provinces, municipalities, and autonomous regions and with 50 cities in our country; reached agreements on 1,229 projects; and imported 524 technological items and 1,297 talented people from other provinces in the country. Last year was the most active year for the province in opening to the outside world.

6) Progress was made in various social undertakings, and gratifying achievements were scored in scientific and technological work and in training talented people. The provincial scientific and technological contingent expanded continually, and a total of 461,000 scientific and technological personnel were employed by wholly people-owned units. A total of 432 scientific research achievements passed the assessment, of which 125 were awarded; 79 reached or approached the advanced domestic levels; and 5 reached or approached international levels. A large number of scientific research achievements were applied to production and construction.

In terms of education, regular higher learning institutions enrolled a total of 16,200 students, 1,300 more than last year. The studentbody of higher educational schools for adults came to 64,400, 13,000 more than last year; and that of secondary professional schools came to 49,000, 8,800 more than last year.

In terms of public health, the number of hospital beds reached 69,000, 2,683 more than last year; and that of professional medical technological personnel reached 104,000, an increase of 4,000 people.

New progress was also made in cultural, press, publishing, broadcasting, television, and sports undertakings.

In terms of population, at the end of 1984 the province had a population of 22.845 million people. The province also scored good achievements in family planning work. The natural population growth rate fell to 6.5 per thousand.

7) The income of urban and rural residents increased, and their living standards improved further. Last year, the per capita net income of peasants in the province was 486.8 yuan, 24.3 yuan more than last year. The total volume of wages of workers and staff members increased by 15.2 percent over the previous year. The average wages of workers and staff members increased by 12.6 percent over last year. Considering the rise in the cost of living index, real wages increased by 8.8 percent. Urban and rural savings deposits continued to increase. By the end of last year, the total savings deposits of residents was 3.42 billion yuan, an increase of 35.4 percent over the previous year. Urban public utility facilities and the housing conditions of the urban and rural residents showed further improvements. Some water, heating, and gas supply projects were built. Household gas consumption reached 37.9 million cubic meters, an increase of 9.4 percent. Total provincial investment in housing reached 1.213 billion yuan. Of this, some 3.96 million square meters of housing was built in urban areas and some 10.89 million square meters were built in rural areas.

Like other places in China, our province witnessed an unprecedentedly good economic situation. This fully showed that the policy of invigorating the domestic economy and opening to the outside world is absolutely correct.

2. The Arrangements of the 1985 Plan

The main tasks mentioned in the 1985 plan are: Make earnest efforts to implement the "Decision of the CPC Central Committee on Reforming the Economic Structure," and to carry out economic structural reform in a vigorous and reliable manner. We should vigorously develop the commodity economy in line with the demands of the provincial CPC Committee on "Achieving One Change and Three Breakthroughs", and the policy of invigorating the domestic economy and opening to the outside world; raise economic results in all fields, and continue to maintain a sustained, steady, and coordinated economic development. Along with economic development, we should vigorously carry out various social undertakings and improve the livelihood of the people. We should comprehensively fulfill or overfulfill the Sixth 5-Year Plan and make good preparations for the Seventh 5-Year Plan.

Under the plan, the 1985 total industrial and agricultural output value should reach 30.2 billion yuan, an increase of 9 percent over 1984. The national income should reach 15.95 billion yuan, an increase of 8.3 percent over 1984.

1) The agricultural production plan

In agriculture, we should achieve a big breakthrough in readjusting the industrial structure and developing diversified undertakings, especially animal husbandry and grain conversion. Under the plan, total agricultural output value should increase by 7 percent over 1984. While ensuring a steady growth in grain production, we should vigorously develop forestry, animal husbandry, sideline production, and fisheries. Under the plan, the output of oil-bearing seeds should reach 7.17 million dan; that of beets, 1.2

million tons; and that of flue-cured tobacco, 360,000 dan. The afforested area should reach 3.45 million mu. The number of hogs slaughtered should reach 3.25 million. The number of cattle should increase by 1.6 million, and that of sheep, 2 million. The output of fish should reach 20,000 tons, and that of eggs, 240 million jin. The total output of meat should reach 290,000 tons, and that of mixed animal feed, 1.54 million tons. Under the plan, the output value of township enterprises should increase by 50 percent over the previous year.

2) The industrial production plan

In industry, we should focus our work on raising economic results, and maintain a sustained and steady growth of production. Under the plan, the total industrial output value should increase by 10 percent over 1984. Of this, the output of light industry should increase by 8.4 percent, and that of the heavy industry, 11 percent.

In the energy industry, we should strive to increase the production of coal, electricity, and crude oil. Under the plan, the output of raw coal should reach 19.91 million tons, and that of electricity, 13.55 billion kwh.

In the metallurgical industry, we should strive to reduce energy consumption and increase the number of products in short supply. Under the plan, the output of steel should reach 341,500 tons, that of rolled steel, 430,000 tons, that of pig iron, 355,000 tons, and that of ferroalloys, 170,000 tons.

In the building industry, we should vigorously increase output, improve product quality, and develop new building materials and building materials products for farm use. Under the plan, the output of cement should reach 2.17 million tons; that of plate glass, 1.56 million standard cases; and that of structural components for farm houses, 45,000 sets.

In the chemical industry, we should increase the production of basic industrial chemicals, and strive to increase the proportion of fine chemical products. Under the plan, the output of caustic soda should reach 54,000 tons; that of sulphuric acid, 117,000 tons; that of chemical fertilizer, 303,000 tons; that of plastics, 36,000 tons; and that of rubber tires, 620,000.

In the forest industry, we should pay attention to readjusting the proportion between lumbering of timber and diversified undertakings. Under the plan, the output of timber should reach 6 million cubic meters (including the delivery amount of 4.12 million cubic meters); that of plywood, 48,000 cubic meters; fiberboards, 41,300 cubic meters; and shaving boards, 15,000 cubic meters.

In the machinery and electronics industry, we should upgrade and update products to suit the needs of technical transformation and equipment renewal in various departments, the livelihood of the people, and economic development. We should establish cooperative ties to produce complete sets

of equipment, and vigorously develop the new and developing optical and electronics products. Under the plan, the output of motor vehicles should reach 83,000; that of large and medium-sized tractors, 1,500; that of small tractors, 49,000; that of television sets, 160,000; that of cassette recorders, 40,000; and that of radio sets, 160,000.

In the light and textile industry, we should actively increase the output of products that can find a ready market, and that of quality and brand-name products. Under the plan, the output of household washing machines should reach 400,000; that of bicycles, 430,000; that of machine-made paper and paper boards, 390,000 tons; that of woolen piece goods, 4.9 million meters; that of plastic products, 54,200 tons; that of furniture, 1.03 million pieces; that of beer, 165,000 tons; and that of cigarettes, 280,000 cases.

In the medical industry, we should, under the plan, produce 12 kinds of chemical pharmaceuticals with a total output of 2,332 tons, and 6,500 tons of prepared Chinese medicines.

3) The communications, post, and telecommunications plan

In the railroad sector, we should speed up transformation of key stations and train sections where bottlenecks occur, and raise the capabilities to ease congestion. Under the plan, the railroad freight volume should reach 57.55 million tons.

In civil aviation, we should pay attention to expanding airports to accommodate jumbo jets and strive to make the airport attain the standard for restoring aviation services by the end of the year. We will open an interprovincial aviation line to Yanji.

Regarding highways, we should pay attention to completing unfinished highways and raising the technical standards in highway construction and maintenance. We should rationally organize highway and railroad services, intensify transport capacity, and ease the strained situation in communications. Under the plan, the road freight volume should reach 19.09 million tons.

In terms of inland waterways, we should develop navigation in the No 2 Songhuajiang, clear the navigation line from Sanchanhe to Fugu, and expand the Daan and Fuyu wharves and increase their cargo handling capacity. Under the plan, the freight volume should reach 148,000 tons.

In post and telecommunications, we should increase the installed telephone capacity, and ease strained telephone services. Under the plan, the total post and telecommunications transaction volume should reach 81.2 million yuan.

4) The plan on domestic and foreign trade

According to the plan, the total volume of retail sales for 1985 is budgeted at 12.11 billion yuan, a 15.8-percent increase over 1984. We will further reform the circulation system, reduce the intermediate links, and enliven the commodity circulation. We will vigorously develop diversified kinds of commercial, catering, and service trades to promote the development of the commodity economy.

We will strengthen the procurement of goods for export, actively expand foreign trade, and strive to export more goods and earn more foreign exchange. The plan calls for increasing the total volume of export by 19.8 percent compared to 1984.

5) The plan for investment in fixed assets

The investment in fixed assets will be used mainly in technological transformation projects, and energy resources construction projects.

In terms of capital construction, the state has already fixed the quota of the province's investment in capital construction at 1.61 billion yuan. Of this, 980 million yuan will be provided by various ministries and commissions at the central level, and 630 million yuan will be provided by the province.

In terms of technological transformation, the state has set investment in technological transformation at 646 million yuan. Of this, 296 million yuan is in bank loans, and 350 million yuan is to be raised by the localities and departments.

Great progress will be made in import of technologies and utilization of foreign capital.

6) The plan for science and technology

We will continue to organize joint research for major scientific and technological problems, and to popularize the results of scientific and technological research projects. The plan calls for carrying out 252 scientific and technological research projects, of which 21 are key state scientific and technological research projects. The plan also calls for popularizing 10 new technological results. Industrial enterprises should develop 1,400 new varieties of products, and create 500 varieties of good-quality products.

7) The plan for development of social undertakings

In education, the provincial-run regular higher learning institutions will enroll 10,417 students, an increase of 1,330 students over 1984. The provincial-run secondary vocational schools will enroll 16,710 students, an increase of 1,750 students over 1984. The higher learning schools for adults will enroll 27,620 students, an increase of 4,894 students

over 1984. Efforts will be made to gradually readjust the proportion between various courses, raise the proportion of specialties which are in short supply, and run the vocational universities well. Continued efforts will be made to readjust the secondary educational structure, develop vocational and technical education, accelerate the pace of universalizing elementary education, and improve the quality of education.

In public health, we will further improve the level and conditions of medicine, and accelerate the development of medical and health work. The plan calls for increasing the number of hospital beds by 1,500, compared with 1984, and the number of full-time medical and health workers by 3,460 people. We will strengthen the comprehensive prevention and curing of endemic diseases, with stress on prevention.

In broadcasting, we will further improve the quality of radio and television broadcasting, and expand broadcasting coverage. Stress will be placed on building the microwave line between Changchun and the border area of Jian, extending the microwave lines to border areas, and building the provincial color television station.

In terms of culture and sports, we will further enliven and enrich the cultural life of the people, launch cultural and art exchange activities, and accelerate the building of the provincial theater and the provincial exhibition hall. We will strengthen the mass sports activities, improve the professional sports level, and accelerate the building of physical cultural and sports facilities.

In terms of the labor sector, the plan calls for giving jobs to 180,000 job-seekers in urban areas, of whom 31,000 will be employed by units owned by all the people; 135,700 by collectively owned units; and 13,200 by individually run units.

In terms of family planning, we will consolidate the achievements scored in family planning, and strive to keep the natural population growth rate below 12 per thousand.

In terms of urban construction, we will attend to the construction of water supply, gas supply and heating networks and residential construction, accelerate the construction of the second-stage project of the Changchun No 2 water sources, speed up the construction of the Jilin and Liaoyuan heating projects, initiate the gas supply project in the eastern suburban Changchun and in Tonghua, grasp the construction of urban residences, pay attention to environmental protection, and gradually improve the housing conditions for urban dwellers.

3. Adhere to Reform, Do a Solid Job, and Comprehensively Fulfill and Overfulfill the 1985 Plan and the Sixth 5-Year Plan

The tasks for the economic structure reform and production in 1985 are very arduous. We should conscientiously implement all principles and policies of the CPC Central Committee and the State Council, strengthen macroeconomic

management, attend to achieving an overall balance, and correctly handle the relations among various fields.

This year, in accordance with the state unified plan, we should actively and properly carry out the reform of the planning system in the course of reforming the price and wage systems.

We should properly reduce the scale of mandatory planning, and gradually expand the scale of guidance planning. Mandatory planning should be applied to all agricultural production plans, and the provincial-controlled targets should be reduced from 41 to 15. In terms of the industrial production plans, the provincial-controlled targets should be reduced from 1,276 to 640, of which 178 should be covered by mandatory planning. In terms of domestic trade, the varieties of commodities covered by the provincial plan should be reduced from 70 to 39, of which 25 should come under guidance planning. In terms of foreign trade procurement, the varieties of commodities controlled by the provincial plan should be reduced from 290 to 29. Mandatory planning should be applied to the total scale of the investment in fixed assets. In the meantime, the power to examine and approve the fixed assets and to manage materials and goods should be delegated to lower levels.

We should strengthen the control over the macroeconomy in order to prevent it from getting out of control. We should make unified plans and all-round arrangements for the capital construction projects in order to strictly control the scale of investment in fixed assets. We should strengthen credit management, and control the amount of currency put into circulation. We should intensify the management of the consumption fund in order to prevent the blind increase of the fund. We should use prices, taxes, profits, and financial subsidies flexibly, as an economic lever to improve the economic information and forecasting work. We should also gradually establish a comprehensive planning and investigation system centering on increasing economic results.

To ensure the fulfillment of all plans, we should pay attention to the following points of work:

1. We should readjust the agricultural organs, and attend to grain conversion. At present, our province's grain conversion work is extremely urgent. We should vigorously develop animal husbandry, the animal feed industry, and the food industry. Strenuous efforts should also be made to develop the raising of hogs, cattle, sheep, and poultry, and convert grain into meat, eggs, and milk. The development of the animal feed industry should also be speeded up.

While grasping grain conversion, we should further readjust the structures of the planting industry, and industry and economy in the rural areas. In the cultivation of grain crops, we should pay attention to expanding the farming acreage of paddy, and properly increase the acreage of soybeans and acreage of barley and wheat in localities where conditions permit. The production of beets, oil-bearing seeds, flue-cured tobacco, medicinal

herbs, vegetables, and fruits should also be grasped. We should also actively develop forestry, animal husbandry, sideline occupations, and fisheries, and vigorously develop industry, commerce, transportation, the building industry, and the service industry in the rural areas.

2. We should speed up technical transformation and strengthen the reserve strength of enterprises. We should concentrate our efforts on grasping the large and key enterprises, subsidiary projects in motor vehicle building, and transformation in energy and raw materials industries. We should encourage medium-sized and small enterprises to carry out subsidiary projects and technical transformation along with large and medium-sized enterprises and key enterprises and to produce more brand-name, quality, unique, and new products. Strenuous efforts should be made to improve the product quality, and strengthen the capabilities of enterprises to undertake tasks and to compete with others.

3. We should vigorously develop township enterprises and the tertiary industry, and further develop collective economic units in the urban and rural areas. We should adhere to the principle of encouraging the state-owned units, the collective units, and the individual units to participate in the development, establish multiformed and multilayered cooperation, encourage peasants to engage in tertiary industry in the city, and rapidly develop commerce, the catering industry, service industry, tourism, urban public utility undertakings, and household service industry. Strenuous effort should be made to develop various industries in the rural areas and coordinatedly develop the production, processing, and marketing of farm and sideline products. We should gradually establish scientific and technical service networks, information service networks, and commodity circulation networks to serve the development of the rural commodity economy, and stimulate the development of township enterprises, and the tertiary industry.

We should further implement the policies of invigorating the collective economic units, realistically protect the decisionmaking power of collective enterprises in production and operation, fully display their characteristics, and enable the output value of the province's collective industrial enterprises to increase by some 20 percent this year.

4. We should exert efforts to end deficits and to increase profits and comprehensively raise economic results. We should focus our economic work on raising economic results, and grasp production, construction, and circulation. We should resolutely stop the production of products that have long been stockpiled, and products that cannot find a ready market and yield profits. The production of those products that do not sell well must be limited to a certain extent and their production quotas should be fixed according to the sales of products. Efforts should be made to raise product quality, produce more brand-name and quality products, pay attention to comprehensive utilization, and reduce the consumption of raw materials and energy, and lower expenses and production costs. Under this year's plan, we should lower consumption of oil by 5 percent, coal by 4 percent, electricity by 3 percent, and rolled steel by 2 percent.

5. We should successfully conduct "import and internal cooperation" in order to enliven the economy in both the urban and rural areas. In this target we should concentrate on strengthening management over various industries and trades and enhancing the task of conducting macroguidance; actively introduce technology, talented personnel, and funds; and do a good job in setting up economic cooperation and technical or economic coordination both inside and outside localities. We should open our door and adopt various enterprises and businessmen to open their businesses or various service centers for trade and information in our province. By taking the advantage of policies promulgated by the special economic and economic development zones on favorable terms, we should also do a good job in operating windows for foreign trade. Efforts should be made to set up trans-regional and trans-industrial cooperation or coordination with key cities as the bases, with backbone enterprises as the centers, and with fine-quality and famous trademark products as cooperative targets. Efforts should also be made to adopt various ways to organize trade in products, to open technical and material-exchange markets, and to successfully conduct the transfer of scientific and technical results and the work of advisory service.

6. We should do a good job in developing intellectual resources and in actively training talented personnel. In 1984, our province carried out a general investigation of talented personnel. The key to developing the province's economy lies in the task of how to bring into full play the role of existing talented personnel discovered by the investigation and how to further conduct training among these talented personnel. Efforts should be made to conduct a combination among education, scientific research, and production and to enable scientific research results to become practical productive forces as soon as possible. In order to deal with some practical difficulties encountered by intellectuals in livelihood, the province will continue to arrange special investments for building a large number of houses for intellectuals in 1985.

A good job should be done in formulating basic education, and in upgrading educational quality. Efforts should be made to fully tap the latent potentials of general higher educational institutions and to increase the student enrollment quota. We should actively develop adult education and do a good job in operating television broadcast classes at the college level, correspondence schools, the training classes for staff members and workers at the college level, and spare-time institutions. We should also develop vocational and technical education in a planned manner, strengthen professional training among those who are ready to have a job, and should pay attention to training talented personnel for the "two-category households and economic associations". Efforts should be made to further readjust the educational structure, to increase the proportion of specialized junior colleges and secondary specialized schools, to increase the number of specialized courses urgently needed by society, and to pay great attention to training talented personnel for developing the tertiary industry and for administration and economic management. We should open more avenues in running schools and develop in a planned manner the educational institutions run by individuals in order to bring into play the enthusiasm

of various circles in opening schools. We should also accelerate the pace of training talented personnel in order to steadily upgrade the quality of staff members and workers.

All in all, in 1985 we should take new steps in carrying out reform of the economic system; make a big breakthrough in the three aspects, such as readjusting the agricultural structure and processing grain, conducting technical renovations among enterprises, and developing collective-owned enterprises and the tertiary industry; and should make a new progress in increasing economic results in an overall manner, enforcing the open-door policy, and in developing intellectual resources in order to further create a new situation in the province's economy.

CSO: 4006/775

ECONOMIC DEVELOPMENT ZONES

MAYOR OF QINHUANGDAO ON CITY'S PLANS

HK280159 Beijing ZHONGGUO XINWEN SHE in Chinese 0226 GMT 27 Jun 85

[Report by Zhang Wu [1728 2976] and Huai Liang [2037 5328]: "An Interview with Qinhuangdao Mayor Gu Erxiong [7357 0059 3574]"]

[Text] Shijiazhuang, 27 Jun (ZHONGGUO XINWEN SHE)--The word "acting" preceding the original title of Gu Erxiong, acting mayor of Qinhuangdao City, has been deleted. When the authors of this article recently interviewed him, this mayor, who is in his 40's, made an extraordinary remark: "Our aim is to build Qinhuangdao into the Rotterdam of the East."

Gu Erxiong became a student of Hebei Institute of Agriculture in 1964. After his graduation, he was first appointed as technician and later director of a factory in Jixian, Hebei. In 1983, he was appointed commissioner of Hengshui Prefecture. When Qinhuangdao was listed as one of the 14 open cities, he was appointed acting mayor of the city. What were his achievements during his office in the past year and more? People have summed up the following four major aspects:

--The city's program for development has been drawn up and approved by the State Council. An economic and technological development zone covering an area of 1.9 square kilometers has been under construction since April 1985. At the same time, the Beidaihe development area for tourism and the Baitaling development zone for culture and education will be built. It is planned that by the end of the year 1990, Qinhuangdao will be built into a city open to the outside world, functioning as a center of energy transfer and of scenic spots for tourism; and by the end of the year 2000, it should be an international port city functioning also as a tourist spot and health resort center, with glass industry, export and processing industries as the focus of its production.

--Preparations have been organized for the building of the infrastructure. In order to change its backwardness in communications, a "12,000 circuit" digital telephone exchange has been imported from Switzerland. By the end of September 1985, installation of half the circuits will be completed, and 300 domestic long-distance lines and 30 international long-distance lines will be installed by the end of 1985. Five cement-surfaced trunk roads and three bridges for grade separation in the city proper are already completed and in use.

--Seven decrees have been drawn up on the administrative system of the development zone, temporary provisions for the administration of industrial and commercial enterprises, and land administration in the development zone.

--Talks on promoting the import of advanced foreign technology and strengthening cooperation with units in the Chinese hinterland have been conducted in depth. To date, 140-odd letters of consent and protocols, and 23 formal contracts have been signed between Qinhuangdao and 400-odd enterprises and businessmen scattered in 14 countries and regions, involving a total of \$110 million in foreign capital; and more than 100 contracts have been signed with provinces and cities in the hinterland, involving a total investment of 380 million yuan. Regarding his plan for the future, this mayor said: It is primarily necessary to conduct investigation and research and to have a good grasp of the pluses of the city. The focus should be on such major matters as doing a good job in the building of the infrastructure, the transformation of existing enterprises, improving the living conditions of the masses, and the exploitation and development of talented people. He is firm in the belief that Qinhuangdao will certainly accelerate its advance on the road to opening up to the outside world.

CSO: 4006/761

ECONOMIC MANAGEMENT

ROLE, FUNCTION OF MANAGEMENT IN MODERNIZATION

Beijing LIAOWANG [OUTLOOK WEEKLY] in Chinese No 17, 29 Apr 85 pp 45-47

[Article by He Zhongxiu [0149 6945 4423]: "The Role and Function of Management in Modernization;" the principal of a projected series of 10 essays on modern management science]

[Text] [Photo caption] He Zhongxiu: Born 1937, a native of Shanghai, graduated from Beijing University, studied biology and natural dialectics, is now chief editor of the magazine SCIENTIOLOGY AND S&T MANAGEMENT and in charge of the Tianjin Scientiology Institute.

I. Starting Out from Foreign Historical Experiences

Some of the questions debated in Europe immediately after World War II were: Since Europe does not lag behind America in science and technology, why does its economy lag behind that of the United States? Many British scientists were awarded Nobel prizes; why is it then that British science lags far behind that of the United States in effectively stimulating the national economy? The debate went on for a considerable time and finally reached the fairly general consensus that the discrepancy between Europe and America in economic development was not merely one of science and technology, but most conspicuously one of management. In his book "Management: Theory and Practice," [Ernest] Dale, an expert in management science, pointed out: Why was Britain unable to maintain its dominant position in economic developments? As to the reason, it is that "some of the blame for Britain's loss of position must be laid at the door of her managers," many of whom "adopted aristocratic attitudes" in their operation of enterprises and exercise of management. "Their failure to show innovative spirit was in direct contrast to the behavior of British managers during the early days of the industrial revolution." Comparing 30 branches of industry and trade in Britain and the United States at the beginning of this century, the British statistician Alice Park concluded that it was due to the fact that Britain did not attach importance to "scientific management," and its widest practical application, to the same extent that America did. Even though machinery used in both countries was more or less the same, the average productivity of American workers was about 3 times that of British workers. Although Britain developed many new machines and new tools since the industrial revolution, its management remained old-fashioned and backward.

In the United States the question of management was receiving due attention within industrial circles since the end of the 19th century. Ever since [Frederick W.] Taylor, the so-called "father of scientific management," began to use scientific methods in his studies of work movements and work times of industrial workers, the United States has always led the way in the research and application of scientific management, even though this movement has also had its ups and downs. After World War II, the school of modern management science applied the most recent achievements of modern natural science and technology in the field of management (mainly various advanced mathematical methods and computer technology, in connection with information technology, systems theory, control theory, information theory, etc.), forming a series of new organizational management methods and organizational management technology, comprehensively called "management science." It was precisely because the United States did not restrict its attention to science and technology but also particularly emphasized scientific management that it was able both to maintain the economic lead over all capitalist countries and also achieve great successes in the development of modern science and technology.

It is common knowledge that in the huge Apollo lunar landing project, which the United States began to organize in 1961, the Saturn V rocket had 5.6 million components and parts and the spacecraft had 3 million components and parts, that 4 million research and construction personnel were at one time or the other involved in this project and that 420,000 persons were working on the project at times of maximum employment. Two hundred firms, cooperating with 120 universities, labored 8 years on the project, on which \$30 billion was spent. A project of such enormous dimensions and complexity finally achieved success, and why was success possible? As already expressed much earlier, in 1942, by Professor Oppenheimer, the technical director of the "Manhattan Project," which manufactured the first atomic bomb: "The factor that enabled science and technology to function to the fullest was scientific organization and management." The man in overall charge of the Apollo lunar landing project, Dr [James C.] Webb, also said: "We have not used any technology that was not also available to anyone else; our technique was scientific organization and management."

This shows that modern scientific management outshines the power of the other concrete sciences, and we may say without the slightest exaggeration that without scientific management it is impossible to accomplish any of the important achievements of modern society. The historical experiences of many countries in the world confirm that any country that exhibits economic development is bound to have a fairly advanced system of management. Scientific management is a major condition for speedy economic development.

Japan, which has been regarded as a latecomer among the economically developed countries, has managed in the last 30 years to distinctly overtake the United States in many fields. As to the reasons for this phenomenon, we have to admit its success in the management of its business affairs. In the early 1950's, Japanese industry imported large amounts of American and West European advanced technology and equipment. Owing to the fact that Japan at that time gave insufficient attention to a scientific management ideology and to scientific management methods, all its technologies and equipment could not fully play their role, and the "imports" remained ineffective; indices of

product costs, quality, productivity and profits still lagged far behind those of the United States. From the later 1950's on, Japan began to sum up all experiences and lessons gained in this respect and came to realize that without reform and improvement of management it would be impossible for the newly imported advanced technologies to fully perform their functions. From then on, most of Japan's organizations and industrial enterprises, while learning from foreign examples, also paid particular attention to importing management ideology and management methods. On the one hand, large amounts of American and West European literature on business administration was translated and studied, and many Japanese were sent abroad for inspections and studies. On the other hand, Japan also invited highly-paid foreign management specialists to come to Japan to lecture, and thereby rapidly caused an upsurge in the study of scientific management ideology and management methods among government departments, industrial circles and educational departments.

After this policy of "importing technologies together with, and as equally important as the importation of management skills," Japan's economy began to develop rapidly from the early 1960's. Currently, the quality of their management in many fields is superior to that of the United States. Japan's managerial personnel have greatly increased; about 20 percent of its graduates from engineering courses work in enterprise management. The fact that Japan could force its way so rapidly into the ranks of world economic powers is inseparably linked to its having so astute and forceful a contingent of business managers. When analyzing their own experiences, the Japanese say: "Between management and equipment, management is of prior importance. Management elicits efficiency and quality, it can raise economic results and create conditions for the employment of even more advanced technologies." If the United States is said to be the pioneer and birthplace of scientific management, then Japan has already exceeded its master and advanced one step further, relying upon what it has learned in scientific management from other countries.

To date, the historical experiences of all countries show again what an important role is being played and what important functions are being performed by management in the course of modernization. There are even scholars and industrialists who believe that the world is presently facing an "era characterized by business operations and management." There are some who see management and technology as the two wheels that have made modernization possible in Japan. Many countries of Western Europe describe management, science and technology as the "three pillars of modern society." Management science has become an extremely important discipline, and the specialists in management work are already forming a huge work force.

II. Realizing Our Own Historical Mission

More than 30 years have passed since the founding of New China. Under the leadership of the party, we have achieved enormous successes, whether in the fields of industry and agriculture or in defense, science and technology. Our great achievements are universally acknowledged as feats that Old China could not have accomplished. However, we must realize that problems still remain in the backwardness of our products, techniques, and management. It is often said that there is a gap of 15 to 20 years between our science and technology

and production equipment and that of the industrially advanced foreign countries. In fact, there is yet another phenomenon that should receive our more serious attention, namely, that the material wealth, labor productivity and living standards created in certain industrially advanced countries 15 to 20 years ago were much higher than ours is today under equal quantitative and qualitative conditions of science and technology and equipment. In other words, our management is much more backward than our science, technology and equipment.

If we speak of backwardness of management, we certainly do not only refer to management theory, management methods and management tools, but to a more serious backwardness in management ideology. This manifests itself in an insufficient knowledge of management and the inadequate attention being attached to it, in vague generalizations when summing up our own management experiences, and in the superficial way of studying the management experiences of other countries. As a matter of policy, managerial personnel are not considered to be personnel with a specialty, and there are no clear and definite designations for such personnel. Some regard management as a heap of administrative affairs and do not recognize management as a special scientific discipline; education in management is also far from satisfying the needs of our socialist modernization drive.

The communique issued by the 3d Plenum of the 11th CPC Central Committee points out: "Achievement of the four modernizations demands a large improvement in our productive forces and also, of necessity, transformations in many respects of the production relations and in the superstructure, where conditions do not yet conform with the development of our productive forces; this is, therefore, a wide-ranging and thoroughgoing revolution." The leading comrades of the Central Committee pointed out simultaneously that during our efforts at socialist modernization, we may possibly experience a drag in two problem areas, agriculture and management. The agricultural problem has by now been fairly well resolved, which makes our management problem even more conspicuous. In the "Resolution Regarding the Reform of the Economic Structure," the CPC Central Committee clearly and definitely pointed out: "The reform of our economic structure and the development of our national economy urgently demand qualified business managers, especially cadres for the management of enterprises, who are knowledgeable in modern economics and technologies and who also have an innovative spirit, the courage to be creative and who are capable of instituting a new overall situation. The problem is that the present condition of our contingent of cadres exercising economic management is inconsistent with this demand." It is therefore necessary to strengthen the study and the application of economics and of management science, to raise continuously the quality of planning and management in our national economy and to improve the business management in our enterprises and industrial entities.

In his article "Liberate Thinking, Seek Truth From Facts, Unite As One and Look Ahead," Comrade Deng Xiaoping emphasized: "Most of our cadres must earnestly attend to studies in three directions: the study of economics, the study of science and technology and the study of management." These are indeed the major conditions that will decide whether cadres at all levels can qualify as managers in China's socialist modernization drive.

It is absolutely impossible to say that all these problems have been resolved, as far as the many comrades engaged in actual managerial work is concerned. Acknowledging the necessity and importance of management does not at all amount to a realization of the scientific nature of management. Is management a special discipline of the sciences? Has it its own objective laws? Must affairs be run according to these objective laws? Because we did not pay serious attention to management for many years, a large segment of our managerial personnel has had no opportunity to gain relevant instruction. Moreover, management was generally manifested in certain types of subjective actions; it was frequently mistakenly assumed that affairs could be handled by relying on subjective will rather than scientific management. This cognitive blindness resulted from people's inability to raise their concrete experiences to the level of theory, and from the habit of ignoring the theories of management science as guides for their own work.

III. Study and Mastery of the Laws and Principles of Management Must Be the Starting Point

However, when the topic of rendering management more scientific and of modernizing management is raised, people easily think of mathematical tools and technological means. They think that a scientific character is only achieved by a large heap of mathematical symbols and sets of operational models. They believe, therefore, that it is impossible to say that modernization of management is achieved without the widespread importation and application of computers. Undeniably, computers are one of the important means of modernizing management. In foreign countries computers are widely used in managerial work and play an important role in rendering management more scientific. However, they are after all only a kind of technological means and certainly not the essence of management modernization. The core of management modernization is rendering management scientific, and rendering management scientific is certainly not a string of mathematical methods. It is common knowledge that a good set of computer programs can be applied in scientific management because the process of its compilation conforms to the scientific laws of management and to its maxims and principles. Only the input of accurate data can produce accurate results. To determine whether measurement control conforms to scientific standards, we must first see whether actual management itself follows proper processes and whether it conforms to objective scientific rules, maxims and principles. Otherwise, even with advanced electronic computers and accurate mathematical models and complete procedures, it would only amount to a fruitless effort and would not be able to fulfill its proper functions.

There are also people who believe that modernization of management can be achieved merely by indiscriminately copying whole sets of theories and methods of economically advanced foreign countries, such as "behavioral sciences," the "XY theory," "value engineering," "decision procedure," "PERT," "CPM" and such things as the "American management system," "the Toyota management system," etc. However, this is not so. Every management must conform to the developmental conditions of the object of management. Different national conditions, different historical developments, different social systems, different ethnic and cultural traditions--all of these cause differences in management. We must emulate favorable foreign experiences, but no good has

ever come from mechanical copying; we have had lessons of this nature in our past. We can of course use the advanced management methods of foreign countries, but, more importantly, we must conscientiously study the principles underlying these advanced management methods and effectively integrate them with the reality of management in China so as to devise techniques of management modernization with Chinese characteristics.

Some comrades place all hope for more scientific management and management modernization simply on "the leadership to provide a plan for everybody to copy." To achieve a more scientific management and management modernization it is of course necessary to have a method, but the method must be worked out by everyone in unison. Moreover, every method has its particular sphere of application. The broader the sphere of application, the less specific it will certainly be. Every locality, sector, trade and unit display different conditions because of differences in historical development, in fundamental factors and in degrees of development. In this sense, then, there has never been an "all-purpose method" that is directly and universally applicable. In short, we believe that the problem is not one of providing a specific method, but one of conscientiously studying and truly mastering the fundamental maxims and general principles concerning scientific management. Only in this way will it be possible to start out from the realities and evolve the various favorable methods suited to one's own actual conditions. Of course, this is not an easy matter. Reforming irrational management must be guided by modern management science, otherwise the reform will show little or no results or even produce negative results. We must be fully cognizant of this fact. Men of insight who pursue reform with sincere intentions must conscientiously study and explore modern management science and conduct experiments in reform according to scientific laws and relevant maxims and principles. Rushing headlong into precipitous action, advancing in one surge without distinguishing clearly between right and wrong, without a clear perception of experiences and lessons of the past, without an analysis of the concrete characteristics and conditions and without regard for the objective consequences, acting "like a gust of wind" and in "arbitrary uniformity," will only result in defeating one's purpose and in "falsely interpreting the true gospel." This is what we must guard against.

9808

CSO: 8111/1634

CONSTRUCTION

CAPITAL CONSTRUCTION BOOMING IN XIZANG

OW201204 Beijing XINHUA in English 1124 GMT 20 July 85

[Text] Lhasa, July 20 (XINHUA)--Thousands of trucks and tractors carrying building materials are coming in and out of Lhasa, choking major roads and turning the city into a big construction site.

Dozens of projects are under construction on the 25 sq km of the regional capital, 3,600 meters above sea level.

This surge of construction has also swept Xigaze and many other cities in the Tibet Autonomous Region.

According to local statistics, 639 projects began in Tibet in 1984. In the first six months of this year, another 224 new projects were started. Tibet has spent 848 million yuan on these projects since the building boom began in the spring of last year.

The projects cover transport, energy, schools, hospitals, hotels and residential quarters, as well as cultural and scientific facilities.

About 550 projects have already gone into operation. They include the asphalt road from Lhasa to Tibet's only airport, a wind energy experimental center in Nagqu which is the most advanced in China, Tibet's first gymnasium and audio-visual center, 20 small power stations, and hundreds of apartment buildings and service facilities.

Most of the projects now under way will be finished before the end of this year.

A meeting held in Beijing early last year by the Secretariat of the Communist Party Central Committee decided to launch a new surge of capital construction in Tibet to boost local economic and social development, although capital construction was slowed in other parts of the country.

Nine coastal cities and provinces were asked to help Tibet in the 43 major projects chosen at the meeting, with funds coming from the central government.

As a result, more than 10,000 workers and technicians from these cities and provinces volunteered to come to Tibet. Almost 100 private or collective construction teams also came from other provinces to join the effort.

The move has given an impetus to the local building industry.

According to local officials, after the completion of these projects, the power-generating capacity in Tibet will be one-third higher than in 1983, and there will be facilities to handle 10 times as many tourists as at present.

CSO: 4020/296-F

DOMESTIC TRADE

VARIOUS CHINESE JURISDICTIONS OPEN FIRMS IN SHANGHAI, WUHAN

HK011001 Shanghai SHIJIE JINGJI DAOBAO in Chinese 10 Jun 85 p 5

[Report: "Two Sets of Figures"]

[Text] Since the Wuhan City Government announced in June last year that the city was to open to other provinces, cities, and areas, more than 460 business firms from Nei Monggol, Jiangsu, Sichuan, Guangdong, and 5 other provinces and autonomous regions had been opened in Wuhan as of 30 April this year. Meanwhile, 11,578 open-type enterprises and specialized shops were opened as joint ventures run with local and external capital or business firms solely owned by local organizations. That is to say, on average, 36 new plants or shops were opened every day for 11 months. To cope with this situation, the Wuhan City Government has provided a total of 240,000 square meters of land for building and has formulated a series of preferential policies. Among the 460 plants and shops are commercial firms, industrial enterprises, catering service firms, and firms related to intellectual development, scientific and technological research, consulting service, information, and other fields. Thus, Wuhan City is becoming one of the distributing centers for brand-name quality products in the country.

According to statistics conducted in 12 districts by the Shanghai Municipal Government's scientific and technological cooperation office, after the municipal government promulgated a 10-point policy in October last year to welcome other areas in the country to set up business firms in Shanghai, 245 plants and shops from 23 provinces, municipalities, and autonomous regions (excluding Xizang, Qinghai, Ningxia, Yunnan, and Tianjin) were set up by February this year, with the approval by the municipal or district authorities. Most of these plants and shops are actually in preparation and have not yet been officially inaugurated. Among these 245 plants and shops, 56 are from Jiangsu Province, 55 from Zhejiang, 15 from Anhui, 15 from Jiangxi, and 12 from Fujian. Business firms from the four provinces of the Shanghai Economic Zone make up 58.6 percent of these plants and shops. Among all these firms, 130 firms, or 53 percent, are run by sole proprietors; and the remaining 115 plants and shops, or 47 percent, are joint ventures between local and external organizations. Among these firms, 135 firms, or 55.1 percent, are shops dealing in local products and industrial products from their own provinces; 28 firms, or 11.4 percent,

are maintenance service centers run by industrial departments; and 82 firms, or 33 percent, are run by tertiary industrial units providing transport, processing, catering, and other services.

CSO: 4006/761

DOMESTIC TRADE

GUIZHOU HOSTS MEETING ON TRANSPROVINCIAL COOPERATION

HK030415 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 2 Jul 85

[Text] Eight prefectures in Hunan, Hubei, Guizhou, and Sichuan provinces have decided to promote economic and technical cooperation so as to stimulate mutual economic development.

The first conference of the eight prefectures on economic and technical cooperation was held in Tongren, Guizhou, from 26 to 29 June. Participating were responsible persons of departments concerned and representatives of some counties in Hunan's Xiangxi Tujia-Miao Autonomous Prefecture and Huaihua and Changde prefectures; Hubei's Exi Tujia-Miao Autonomous Prefecture; Sichuan's Fuling Prefecture; and Guizhou's Qiandongnan Miao-Dong Autonomous Prefecture and Cunyi and Tongren prefectures.

After full exchange of views and discussions, the eight prefectures signed a statement of principles regarding the establishment of long-term and stable economic cooperation relations. They decided to set up an economic information network and to hold an annual economic and technical cooperation meeting. Such meetings, to be held in different locations by rotation, will discuss relevant matters.

During the meeting, the prefectural economic and planning committees and economic cooperation offices signed a number of agreements on cooperation in communications construction, waterway improvement, and hydroelectricity construction, and in capital, technology, talent, and material. They will establish windows in key cities and afford each other every convenience.

CSO: 4006/761

FOREIGN TRADE AND INVESTMENT

GUANGDONG TEAM TO OBSERVE HONG KONG STOCK MARKET

HK100551 Beijing ZHONGGUO XINWEN SHE in Chinese 0216 GMT 8 Jul 85

[Article by reporter Zhang Xu [1728 6079]: "Guangdong Will Send a Team To Make an On-the-Spot Investigation of the Hong Kong Stock Market"
--ZHONGGUO XINWEN SHE headline]

[Text] Guangzhou, 8 Jul (ZHONGGUO XINWEN SHE)--As he was going to take a team with him to make an investigation of the Hong Kong stock market, Mr Luo Yan, a director of and advisor to the Guangdong International Trust and Investment Corporation (Guangdong Overseas Chinese Investment Corporation), disclosed the aim of the visit to this reporter: 1) To brief the relevant circles on the business of the corporation; in particular, the details concerning the corporation's second issuance of foreign exchange investment shares; and 2) to make wide contacts with people of various circles and make an on-the-spot investigation of the Hong Kong stock market.

Mr Luo Yan said that since the corporation began to issue its second batch of foreign exchange investment shares, it has roused great interest among overseas Chinese abroad and the people in the industrial and commercial circles in Hong Kong and Macao. People in the United States, Canada, Britain, and other countries have written to the corporation to inquire about the issuance of the shares and to subscribe to the shares. In Hong Kong, the company assigned the Nanyang Commercial Bank and the Kwangtung Provincial Bank as agents to collect subscription payments. Moreover, the corporation will further discuss relevant business with these two banks.

The Guangdong Overseas Chinese Investment Corporation was set up in 1955 and it changed its name to the Guangdong Trust Investment Corporation in 1980 in order to expand the scope of its business. In 1983, it was defined as a state-owned financial enterprise and empowered to undertake foreign exchange business. It was then named the Guangdong International Trust and Investment Corporation and at the same time it retained the name of Guangdong Overseas Chinese Investment Corporation. It has taken over all the debts and credits of the former Guangdong Trust Investment Corporation and the Guangdong Provincial Overseas Chinese Investment Corporation. The corporation is a unified economic entity with the status

of a legal person and is a state-owned enterprise directly under the leadership of the Guangdong Provincial People's Government.

During the past year, the corporation has taken an active part in investing in Guangdong's economic construction and development and has invested in and provided loans for the Shajiao power plant, Longjiang Bridge, Shantou Camera Industrial Plant, Jiangmen Fufa Glass Plant, Shekou Industrial District, and other key projects. At the end of last year, the corporation's assets totaled more than 900 million yuan.

The corporation has established business connections with about 50 banks in the world and signed credit agreements with more than 30 of them. Mr Luo Yan said that the corporation would spare no efforts to strengthen its contacts and cooperation with the people in Hong Kong's financial, industrial, and commercial circles.

It is said that the observer team led by Mr Luo Yan will leave for Hong Kong on the 10th.

CSO: 4006/761

FOREIGN TRADE AND INVESTMENT

RENMIN RIBAO LISTS 98 CITIES, COUNTIES OPEN TO FOREIGNERS

HK031442 Beijing RENMIN RIBAO Overseas Edition in Chinese 2 Jul 85 p 3

[Text] This reporter has learned from the relevant department that in order to meet the demands of opening to the outside world and in order to provide conveniences for foreigners who come to our country on business and to tour our country, our country has opened 98 cities and counties. A foreigner is allowed to go to these cities and counties and it is not necessary for him to apply for travel permits or give advance notice. These cities and counties were announced open by the government of our country in two batches. In 1982, our government announced that foreigners could go to 31 cities and counties without applying for travel permits. On 15 February this year, our government announced the opening of 67 more cities and counties.

According to authoritative sources of the relevant departments, as the situation of opening to the outside world develops, the number of open cities and counties which foreigners can visit without applying for travel permits will surely gradually increase. Since our country opened these 98 cities and counties which foreigners are allowed to visit without applying for travel permits, foreigners have been able to freely go to our country's 4 special economic zones, 14 open cities, the Hainan Administrative Region, major scenic spots, and the capitals of all provinces and regions except for Xizang. This has provided great convenience for foreigners coming to our country to discuss business or as tourists. In view of this fact, the responsible persons of the relevant departments in our country expressed the hope that some of the countries that still restrict the travel of our country's officials in their countries will also adopt corresponding measures and thus provide a necessary convenience for our country's officials there.

The following are the cities and counties that our country announced in two batches to which foreigners are allowed to go without applying for travel permits:

Beijing City, Tianjin City, Shanghai City, Qinguangdao City, Taiyuan City, Shenyang City, Dalian City, Changchun City, Harbin City, Nanjing City, Suzhou City, Wuxi City, Hangzhou City, Jinan City, Qingdao City, Zhengzhou City, Kaifeng City, Luoyang City, Wuhan City, Changsha City, Guangzhou City,

Foshan City, Zhaoqing City, Nanning City, Guilin City, Xian City, Xianyang City, Chengdu City, Chongqing City, Kunming City, Lunan Yi Nationality Autonomous County (stone forest), Shijiazhuang City, Chengde City, Zhuo County, Baotou City, Hohhot City, Anshan City, Fushun City, Dandong City, Jinzhou City, Jilin City, Yanji City, Qiqihar City, Daqing City, Lianyungang City, Nantong City, Changzhou City, Yangzhou City, Ningbo City, Wenzhou City, Shaoxing City, Hefei City, Wuhu City, Huangshan City, Bengbu City, Tunxi City, the Jiuhuashan tourist zone, Nanchang City, Jiujiang City, Jingdezhen City, Fuzhou City, Xiamen City, Guanzhou City, Zhangzhou City, Yantai City, Taian City, Weifang City, Zibo City, Jining City, Anyang City, Yichang City, Shashi City, Xiangfan City, Shenzhen City, Zhuhai City, Shantou City, Haikou City, Zhanjiang City, Zhongshan City, Jiangmen City, Shaoguan City, Huizhou City, Beihai City, Liuzhou City, Wuzhou City, Leshan City, Emei County, Guiyang City, Anshun City, Yanan City, Lanzhou City, Xining City, Yinchuan City, and Urumqi City.

CSO: 4006/761

FOREIGN TRADE AND INVESTMENT

BRIEFS

ECONOMIC LAW OFFICE--Beijing, 9 May (XINHUA)--With the approval of the Ministry of Justice, an economic law office, providing legal services to Overseas Chinese, Chinese of foreign origin, and compatriots from Hong Kong and Macao, was founded on 9 May in Beijing. This office, called Hua Lian [5478 5114] Economic Law Office, engages in lawyer's work in the economic field, under the leadership of the Ministry of Justice and the All-China Federation of Returned Overseas Chinese. Zhang Youyu, Li Tiezheng, and other renowned personages in the law circles serve as advisors to this office. Responsible persons of the departments concerned, including Zou Yu, He Yhing, Liao Hui, Zhang Guoji, and Huang Dingchen, attended the inaugural meeting. [Summary] [Beijing XINHUA Domestic Service in Chinese 1313 GMT 9 May 85]

SHANGHAI EXPORTS--According to SHANGHAI KEJI BAO [SHANGHAI SCIENCE AND TECHNOLOGY NEWS], village and town enterprises in Shanghai have made inroads into the international market by using superior technology and cooperating with large corporations. Last year, 132 enterprises exported goods worth \$56 million. [Text] [Shanghai City Service in Mandarin 0100 GMT 27 Apr 85]

GOVERNOR STRESSES FOREIGN TRADE--A provincial conference on foreign economic relations and trade is currently in session in Guangzhou. Governor Liang Lingguang spoke at the meeting yesterday afternoon. He stressed: We must persist in reforms, do a good job in controls, and ensure the fulfillment of this year's export plan. Comrade Liang Lingguang said: The key to reforming the foreign economic relations and trade structure lies in promoting exports and lowering production costs. The orientation of this structural reform should consist of delegating export powers to the production enterprises and the joint combines of these enterprises. The sustained development of the province's foreign trade depends on changing the mix of export commodities and of the export markets, and also solving the question of information for foreign trade. Foreign trade enterprises should bring into play their favorable conditions as channels of information, support production, take part in investment, promote controls, and grasp the power of allocation of goods. The conference is expected to end on 3 July. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 30 Jun 85]

CSO: 4006/761

SPECIAL ECONOMIC ZONES

BRIEFS

ZHUHAI CITY EXPORT MEASURES--In light of the situation of building a special zone, Zhuhai City has recently formulated three measures for spending foreign exchange and has given the green light to the vigorous development of the export-oriented economy. These three measures are: Giving priority to the plans for the export-oriented enterprises, particularly for the items whose period of capital construction is short and economic results are good; giving priority to the plans for the items which really import advanced technology and equipment; giving priority to the plans for the items which use domestic raw materials and carry out precision processing for the purpose of increasing the value and developing export. These three measures will play an important part in developing the export-oriented economy, keeping a balance in foreign exchange, and making the special economic zone develop its economic construction at a stable pace and in a healthy manner. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 25 Jun 85]

CSO: 4006/761

LABOR AND WAGES

FORUM ON ENTERPRISE WAGE REFORM

Beijing LIAOWANG [OUTLOOK WEEKLY] in Chinese No 17, 29 Apr 85 pp 16-17

[Article: "Appraisal and Discussion of Enterprise Wage Reform--Excerpts of the Forum on the Investigation and Demonstration of the Reform of Enterprises' Wage Systems"]

[Text] The All-China Federation of Trade Unions and the Chinese Society of Labor recently held a forum on the investigation and demonstration of the reform of enterprise wage systems in Anqing City, Anhui Province. Attending the forum were cadres engaged in labor and wage work, experts and scholars engaged in economic and theoretical work and representatives of pilot enterprises for the wage reform.

The following are excerpts of speeches delivered at the forum:

Kang Yonghe [1660 3057 0735], advisor of the Ministry of Labor and Personnel and chairman of the Chinese Society of Labor:

"Beneficial Results Are a Scientific Instrument for Measuring Success and Failure in the Wage Reform"

What is the criterion for success and failure in the reform of enterprise wage systems? What shall we use to measure such success and failure? I think the basic and major criterion is the beneficial results produced by wage payment. Since egalitarianism has encroached on distribution for a long time, wages are not linked with economic results, and productive forces have been seriously damaged, arguing for the beneficial wage system is entirely necessary in order to overcome age-old malpractice and prevent the corrosive influence of egalitarianism.

What is the beneficial wage system? It is a system under which the amount of wages is directly linked to the amount of material wealth produced by labors and closely linked to the work performance and efficiency of working personnel. The words "beneficial results" imply the improvement of economic results and workers' income. Wage payment which cannot simultaneously achieve these two goals cannot be called beneficial wages.

After we have a unified understanding of the wage system and a scientific "measuring instrument," many unnecessary disputes, disunity caused by wage disputes, and the "pinkeye disease" will be greatly reduced.



Kang Yonghe



Wang Chonglun

Wang Chonglun, [1919 1504 0243] vice chairman of the All-China Federation of Trade Unions:

"Enterprise Wage Reform Must Conform to Reality and Avoid Uniformity"

The reform of the wage system is an important aspect of the reform of the entire economic system. In the last 2 years, some areas, regions and enterprises have conducted many experiments and investigations concerning ways to reform the wage system and solve the two "big pot" problems. They have worked out many different ways and measures to link total wage bill with economic results. For example:

Wages can be linked with the output of final products. For instance, the wage content of each ton of coal output varies according to contracts in coal mines.

Wages can be linked with taxes and profits--either profits earned or delivered to the state. Or they can float with the amount of deficits reduced and profits earned.

Wages can be linked with output value (or work volume and business income). For instance, the building industry contracts for the wage content of each 100 yuan of output value and communications and transportation enterprises contract for the wage content of business income or that of each 1,000 km of shipping

These are examples of wages linked to single items. There are also examples of wages linked to both profits and output or to various economic targets. In addition, the after-cost profit-sharing system, the absolute cost control system and many other contract responsibility systems have been implemented.

At present, we cannot say which type of wage system is perfect because they are all being tested in practice. However, no matter what we implement, we must make sure that it can help increase the enterprises' economic results, give due consideration to state collective, and worker interests, and arouse the enthusiasm of enterprises and workers. If it meets these requirements, it would be fairly good and worth developing and improving continuously. To carry out our wage reform, we must begin with a minor supporting project in light of the actual conditions of enterprises. We should not apply any formula indiscriminately, or stick to only one model and seek uniformity.

Zuo Mu [0146 3668], permanent leading cadre of the Economic Research Institute under the State Council:

"Enterprises Should Not try To Get on the Crowded "Bus" of State Revenue"

The key to China's structural economic reform is to increase the vitality of enterprises and let them control their own production, management and distribution under the guidance of state plans. Clearly stipulating that enterprises are relatively independent distribution units can give them a free hand and enable them to carry out bold reforms of the wage system.

The state has implemented the system of unified revenue and expenditure and assumed responsibility for the profits and deficits of all state-run enterprises for many years. Therefore, there has been no choice but to eat from the "same big pot." I think, as far as the wage issue is concerned, enterprises should solve their transportation problem by themselves. In other words, they should manage to ride a motorcycle or a bicycle instead of trying to get on the crowded "bus" of state revenue.

There is no doubt that having the total wage bill linked with enterprise economic results and floated according to scale would accelerate the growth of productive forces. After enterprises carry out wage reform, the state will adopt appropriate measures to readjust wages. However, demanding equal remuneration for equal work in different enterprises is unsuitable if enterprises are considered to be relatively independent economic entities. Permitting the existence of a considerable gap between the labor remuneration of different enterprises owned by the state can encourage the advanced, spur on the backward and help increase economic results.



Zuo Mu

Li Weiyi [2621 0787 0001], chief of the Wage Bureau under the Ministry of Labor and Wages:

"Conscientious Efforts Should be Made To Strengthen Political and Ideological Work"

To carry out wage reform, enterprises must strengthen ideological and political work. There is a tendency to ignore or eliminate ideological and political work and attempting to use material incentives alone to stir the enthusiasm of enterprises and workers. We should pay attention to this issue. For instance, some units have paid attention only to the income of their staff members and workers and have increased their wages in disregard of state interests. Instead of concentrating on ways to improve their enterprises' wage distribution system, some leading cadres have increased duty allowance for leading cadres and caused the indignation of staff members and workers. Some units have neglected the ideological education of staff members and workers, ignored state policies and distributed bonuses, subsidies and material objects equally to everybody according to the number of employees. What is worse, some enterprises living on state loans have promoted every staff member and worker to a higher grade on the wage scale. Some enterprises have increased the wage scale differences by grade for cadres. In fact, some enterprises have made up their own rules in the reform. Some have stopped giving pensions to retired staff members and workers, forcing them to lead an insecure life in their old age, etc. Although these are problems of individual units and localities, I still think these practices are improper. Therefore, we must strengthen ideological and political work, adopt a correct understanding of policies and an overall point of view, and overcome individualism and departmentalism.

Xu Shihua [1776 1102 5478], director of the Anqing Petrochemical General Plant:

"Wage Reform Brings About a Benign Circle for Enterprises"

Our plant is a large petrochemical complex with over 9,300 staff members and workers. In May 1983, the Ministry of Labor and Wages approved our plan for wage reform and allowed us to implement the system of base wage plus duty (posts and skills). In May 1984, the main office of our company permitted us to experiment with the structural wage system under which wages fluctuate according to economic results. The structural wage system we are now implementing is divided into three parts--base wage, seniority wage and duty (posts and skills) wage on the basis of simplifying and merging wage standards. After the new wage system established a link between wages and contributions, responsibilities and technical and professional skills, the wage relation has begun to turn toward a rational direction and the gap between different grades on wage scale has also been enlarged. For instance, there originally was very little or no difference between the wages of mental and manual workers of the same seniority. Now there is a difference of 15 to 16 yuan between the two. Originally, production line workers had the same wage regardless of their post. Now, workers on the main posts of the first line of production get paid 17 to 18 yuan more than those on the regular

posts of the second line of production. In the past, workers of the same grades had the same wage regardless of their duties. Now, wages differ according to the importance of duties and responsibilities.

Wage reform has brought about a benign cycle for our enterprises and made them become aware of the benefits of the reform through promoting production, management and competent personnel. Our enterprises have set 13 historical records and realized 209.94 million yuan of profits and taxes, a 16.1 percent increase over 1983.



Li Weiyi



Xu Shihua

12302

CSO: 4006/730

THOUSANDS OF WORKERS' HOMES BUILT

Beijing GONGREN RIBAO in Chinese 2 Jun 85 p 1

[Article by Meng Qingyong [1322 1987 3057]: "Sixty Thousand Grassroots Trade Unions Have Built 'Workers' Homes'"]

[Text] As of today, 60,000 grassroots trade unions, 13 percent of the nation's total, have built "workers' homes." On 25 May, Zhang Fuyou [1728 1381 2589], secretary of the Secretariat of the All-China Federation of Trade Unions, said that future home building and consolidation work should adhere to standards and concentrate on key points.

On 1 May 1984, the All-China Federation of Trade Unions issued a "decision on consolidating grassroots trade unions and carrying out the campaign of building 'workers' homes'." Since then, the broad masses of trade union cadres have considered enterprise reform as the center, displayed the spirit of progress, bold reform and competition for the best, conscientiously consolidated grassroots trade unions, extensively carried out the campaign of building "workers' homes" and scored outstanding achievements. Many grassroots trade unions have improved organizational situation and work. Quite a few "workers' homes" which are highly praised by staff members and workers have emerged.

On 25 May, at the national work conference of water conservation and power trade unions, Zhang Fuyou pointed out: Based on the experiences gained by all localities in the past year or so in consolidating and building "workers' homes," from now on, trade unions should concentrate on focal points while adhering to the six standards set by the All-China Federation of Trade Unions for building "workers' homes."

First, building "workers' homes" should proceed from invigorating enterprises and improving economic results, give full play to the enthusiasm, wisdom and creativity of the broad masses of staff members and workers, promote democratic management, increase the ability of trade unions, and make contributions to and play a role in improving economic and social results and increasing the vitality of enterprises.

Second, we must do a good job in basic trade union work, dare to speak up for staff members and workers and wholeheartedly do a few good and practical

things for staff members and workers. Efforts should be made to construct basic trade union facilities, establish and improve the personal responsibility system of trade union cadres, exercise target control, give full play to the role of workshop, workgroup and trade union activists, improve the democratic life and democratic system of trade unions, ensure that the mass organization genuinely represents the masses, and increase the vitality and energy of trade union organizations.

Third, we must do a good job in training the leading bodies of grassroots trade unions and improve the quality of trade union cadres. It is necessary to assign people who meet the requirements of the four modernizations, have a pioneer spirit and are eager to serve the masses, to the leading positions of trade unions.

Zhang Fuyou also pointed out: From now on, examination and approval work should focus on strict quality control, not on organizing large-scale inspection groups to increase the burden of grassroots units. Efforts should be made to avoid going through the motions and seeking formalism.

12302

CSO: 4006/730

TAIWAN

PRESIDENT SENDS MESSAGE TO DEVELOPMENT SEMINAR

OW211041 Taipei CNA in English 1001 GMT 22 Jul 85

[Text] Taipei, 22 Jul (CNA)--President Chiang Ching-kuo Monday called on scholars and specialists attending the 1985 National Development Seminar to further dedicate themselves to national development in the Republic of China.

In a message to the seminar, which opened in Taipei Monday, President Chiang urged the participants to pool their wisdom to work out constructive measures as reference for government policy-making. The message was read by Shen Chang-huan, secretary general to the President's Office.

The seminar is aimed at combining the knowledge and experience of scholars and specialists at home and from abroad to help build the nation and promote the welfare of their compatriots, President Chiang said.

In the last several seminars, Chiang noted, many constructive proposals were implemented that contributed to national development. The people, therefore, have been benefited from these seminars, he said.

For the Republic of China, the 1980s is the era to grow to become a developed nation, the president said. To attain this goal, the government has started the 14 key construction projects. The government, however, is likely to meet many practical and technical problems completing these projects, Chiang said, and it is looking forward to concrete proposals from all seminar participants.

President Chiang said he believes that only if all Chinese people unite and contribute their special knowledge in different fields to developing the nation, will the national recovery mission be accomplished.

CSO: 4020/303

TAIWAN

PREMIER NOTES CHALLENGES TO DEVELOPMENT SEMINAR

OW221057 Taipei CNA in English 1006 GMT 22 Jul 85

[Text] Taipei, 22 Jul (CNA)--The 1985 National Development Seminar opened in Taipei Monday with more than 200 scholars and specialists at home and from abroad joining together for 12 days of discussions.

Speaking at the opening ceremony at the Asia World Plaza Hotel, Premier Yu Kuo-hwa urged participants to submit concrete proposals in support of the government's innovative efforts for national development.

Along with the nation's approach toward modernization, rapid change has created an imbalance in social development, Yu said. The government, however, he said, is doing its best to adopt various measures to solve social problems during this transitional period.

Through unity and hard work, he said, the people of the Republic of China have overcome many difficulties in international turbulence over the past decades. The nation has also been able to maintain high economic growth during the period.

The nation, however, is encountering a new international economic challenge, Yu said, and it is earnestly seeking for more effective methods to meet current problems.

This year's development seminar will focus on development of high technology which has been the force behind economic development in the recent years, he said. And more specialists in technology fields have been invited to the seminar than to previous meetings, he said.

In addition, all discussed will deal with topics closely related to the 14 key construction projects that the government has undertaken to revitalize the economy and improve the quality of life here, he said.

Premier Yu said he hopes proposals made at the discussions will contribute to the successful completion of the construction projects.

Reports at the seminar by government officials on interior and foreign affairs were also scheduled for Monday. Reports on economic and military affairs will be made Tuesday.

Beginning Wednesday, participants will hold panel discussions on seven topics: investments, water resources, city development, national parks, public health, technology and education and culture.

This year's seminar is the 14th that the government had held since 1972. Overseas Chinese from the United States, Europe and several Asian countries have participated in the seminar.

Before the opening ceremony, they visited the martyrs shrine at Yuanshan, and Sun Yat-sen's and Chiang Kai-shek's memorial halls to pay respects.

CSO: 4020/303

TAIWAN

COMPANY SUSPENDS OPERATIONS AFTER PRC CANCELS ORDER

HK181126 Hong Kong AFP in English 1107 GMT 18 Jul 85

[Text] Taipei, 18 Jul (AFP)--The sudden cancellation of an order for two million dollars' worth of motorcycles by China has helped plunge Taiwan's largest scooter exporter into financial crisis, a local newspaper reported today.

Paijifa Industrial Co Ltd, which ranked Taiwan's number one scooter exporter last year, selling five million dollars worth of motorcycles, has announced it would suspend operations for three months, the mass-circulation UNITED DAILY NEWS said.

The company had 6,400 motorcycles in 82 containers waiting to be shipped from the southern port city of Kahsiung to Hong Kong for transshipment to China, the buyer.

Shipment had been postponed from the scheduled date of July 12, pending receipt of payment amounting to some two million dollars in letter of credit, the paper said.

Now Paijifa had received notice from the traders in Hong Kong, who had placed the orders on behalf of the Chinese buyer, that the deal was off, the paper said.

The paper quoted Paijifa's president Lu Liang-chien as saying the cancellation was not the only reason for the company's financial crisis, due to lack of cash flow. Tightened credit from local banks and an economic recession had also contributed, he said.

However, Mr Lu admitted to the newspaper that if the letter of credit for the Chinese order had been received this week, he would not have been faced immediately with a cash flow crisis.

Observers said the declining foreign exchange reserves in China might have prompted the order cancellation, making Paijifa another victim of indirect trading with China.

A sudden drop in orders for electrical fans by China has led to the closure of some Taiwan manufacturers and the suspension of operation of several others, trade sources have said.

Electrical fan orders placed by Hong Kong traders for the China market have declined since February, after a four-month boom.

Exports of polyester to China also dropped 30 per cent last month compared with the May figure, to 9,777 tons, the sources said.

(China's foreign currency reserves plunged 30 per cent in six months, according to official figures, from 16.3 billion dollars to 11.3 billion on March 31, and Western bankers said reserves had continued to plummet, hitting 7.5 billion dollars at the end of June.)

The Taipei government on July 4 announced it would not impose any restriction on Taiwan's exports to China, virtually legalizing an indirect trade which has been booming in recent years.

But authorities have repeatedly warned local manufacturers not to concentrate on China as their major or only market.

There are no statistics available on the total amount of indirect trade between Taiwan and China, but Hong Kong, the largest transshipment center for indirect trade, handled 560 million dollars worth of business in 1984. The transaction volume was predicted to reach one billion dollars this year.

CSO: 4020/303

TAIWAN

EXPORT ORDERS DOWN OVERALL IN JUNE

OW230533 Taipei CNA in English 0344 GMT 23 Jul 85

[Text] Taipei, 22 Jul (CNA)--Export orders received by local industries in June slipped by 8.24 percent over the previous month and dropped 7.84 percent over the same month last year. Statistics compiled by the Ministry of Economic Affairs (MOEA) show that export orders in the first half of the year totalled U.S. dollar 15.7 billion, a decrease of 2.91 from the same period last year.

The government agency said that orders from Hong Kong and Singapore, the only two areas from which orders showed an increase, topped the list with annual rates of 55.06 percent and 59.94 percent respectively in June. MOEA officials attribute the stunning June figures to the growing entrepot business in those areas. Meanwhile orders from the United States dipped 2.99 percent; Japan, down 5.83 percent; and West Germany, down 4.19 percent.

It said textile yarn, fabrics, toys and sporting goods were among the items registering an increase in foreign orders. But orders for footwear were down 6.8 percent; electronics, down 5.59 percent; and garments and apparel, down 4.78 percent.

Electronic products held the lead for items with the most orders, with 13.8 percent of the total value of orders on hand, followed by garment and apparel, taking 12.74 percent, and other textiles with 7.57 percent.

Citing a prolonged world recession, and as a consequence, sluggish market demands, as the two major factors for declining orders from abroad, MOEA officials note that the orders most factories have on hand now are only enough to carry them through to the end of June. [as received]

CSO: 4020/303

TAIWAN

BRIEFS

TRADE TIES WITH EUROPE--Taipei, 16 Jul (CNA)--Chiang Ping-kun, secretary general of the China External Trade Development Council, said Tuesday that the European Parliament recently resolved to improve its economic and trade relations with the Republic of China [ROC]. This, he said, will help promote the economic and technical cooperation between the two sides. Chiang pointed out that Europe is the third largest market of the ROC after the United States and Japan. The potential of the European market is, however, larger than Japan and is, therefore, worthy of further exploitation. Chiang said that the ROC's exports to Europe have shown very limited growth in recent years because of some tariff and non-tariff barriers. The ROC's products cannot enjoy the preferential customs tariff being offered to the developing nations and the ROC Government has not found appropriate channels to carry out trade talks, Chiang said. He indicated that the ROC is now implementing a policy of trade internationalization, opening its market to foreign nations. He urged the European nations to remove unnecessary barriers as as to encourage a blossoming of Sino-European relations. [Text] [Taipei CNA in English 0310 GMT 17 Jul 85 OW]

CSO: 4020/303

HONG KONG MEDIA ON CHINA

NEW PRC IMPORT TAXES ENACTED TO FIGHT GOODS RESALE

HK160349 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 16 Jul 85 p 3

[By Lau Wai-kong]

[Text] China's new import taxes, which come into force today covering a wide range of products, are aimed at tackling the resale of imported goods within China, trade sources said.

The manager of the Hong Kong Trade Development Council (China), Mr W H Wong, said some enterprises in China import products purely for profiteering.

He said the new levies are expected to halt these activities.

The new taxes, being levied on a wide range of imported vehicles, synthetic fabrics and other goods, will be in addition to existing levies.

Mr Wong said it is still premature to assess the effects the tax will have on Hong Kong and foreign businessmen, particularly on Hong Kong-China trade.

However, some analysts expect the effect on Hong Kong traders to be insignificant.

The percentage of taxes on different items and the criteria for these taxes have yet to be explained.

A spokesman for China Resources Holdings, the China-owned trading concern in Hong Kong, said the company still has no further information about the taxes, apart from those which appeared in the press.

The new taxes serve as measures to restrict imports and to have a unified approach to the use of foreign exchange, he said.

He declined to reveal the effect of the new taxes on the Hong Kong businessmen and foreign traders.

A director of China Hua Yuan Co Ltd, another China-related trading concern, Mr Shen yuan-zai, said he was not aware of the nature and objectives of the new taxes.

Even the China-controlled companies have no further information about the taxes.

A State Council circular on Sunday said the taxes will be over and above the existing customer levies and are meant to regulate imports by economic means.

Some localities and units had imported "in a blind way commodities with a big price differential" between home and foreign markets, resulting in an unfavourable impact on domestic economic development, according to the NEW CHINA NEWS AGENCY.

Some banking sources considered the new tax moves "agreeable" in that they can protect the infant industries of China, adding that the prices of imported products are lower than those of the locally-made ones.

The new taxes, viewed as "temporary custom tariffs," can discourage imports, they said.

Moreover, the new tariffs signified that China is very cautious in managing its foreign exchange reserves.

China's foreign exchange reserves plummeted 30 percent to U.S. \$11.3 billion in the six months to March 31, mainly because of the influx of imported consumer goods.

Yet, the banking sources said, the new taxes will have some bad effects on such groups as importers, notwithstanding the impression that China is prone to frequent changes in tax measures.

Some Western observers in Beijing consider the new tariffs a protectionist measure designed to assist China's outdated industries.

CSO: 4020/297

HONG KONG MEDIA ON CHINA

SPECIAL ECONOMIC ZONES ARE PROFITABLE

HK210454 Hong Kong Hong Kong STANDARD in English 21 Jul 85 p 2

[Hong Kong STANDARD "Special Report" by Tim Hamlett, Tsang Shuk-ua, Annie Lam, and Ivan Lo: "More Profits Are Coming In..."]

[Text] The mainland's central government is making more money from the Shenzhen Sez [Special Economic Zone] than it has put into it, according to a Sez economist.

Professor Liang Wensen, the deputy direct of Shenzhen Economic Research Centre, rejected charges that the state government was straining itself to support the Sez.

Mr Liang said the profits the central government and other provincial governments made in the Sez were even greater than those made by the Sez government itself.

He said the mainland government had made 519 million yuan from Shenzhen from 1979 to 1984, whereas the municipal government had obtained a mere 313 million yuan from the state.

Mr Zou Erkang, the vice mayor of the Sez, said about one-third of the Sez's 6,000 enterprises had been set up by the central government or other provincial governments.

"They wouldn't set up subsidiaries here if there were no prospects of making money," said Mr Zou.

A statistical survey done by Mr Zou indicated that the central government was making more profit than the local government from the Sez.

Mr Zou said the revenue of the local government in 1981 was 160 million yuan, but the inland government offices yielded 10 million yuan more.

According to Mr Gao Lin, the vice general manager of Shenzhen Sez development company, dozens of companies in aviation, electronics, textiles and many other fields are run by various sections of the central government.

Other provincial governments have also rushed to set up representative offices in the zone as export outlets.

Mr Zou said the Sez had 170,000 construction workers, the majority of whom -- about 150,000 -- came from other parts of China. Only a minority of about 20,000 were local.

Construction units from inland provinces reaped 30 per cent of the total 35 billion yuan the Sez spent on infrastructure, which was paid as salaries and construction units' profits.

Mr Liang Xiang, the mayor of Shenzhen, said earlier that the Sez's economic development depended on the country's open door policy and the Sez's special policies and flexible measures.

The principle sources of construction funds were overseas investment, local revenue and bank loans, which accounted for 87 percent of the total capital outlay.

The state treasury's investment in the Sez only accounted for less than six percent, and expenditure from government ministries and other localities seven percent, he said.

According to Mr Zou, of the total of 35.5 billion yuan invested in infrastructure construction over the years since the Sez was founded in 1979, the central government investment accounted for just 4.7 percent.

The biggest portion, about 36.5 percent, was in bank loans to the Sez government. Other major sources were foreign investment (24.4 percent), Shenzhen government investment (11.2 percent), and investment by enterprises (11 percent).

Mr Zou said the Sez government would continue to make loans for infrastructure construction until 1990, by which time this sort of work would be finished and repayment of the loans could start.

The full burden of the loans would rest on the Shenzhen government's shoulders. No assistance from the central government was expected.

According to Mr Gao Lin, the Sez had not undertaken any projects involving more than one billion yuan. These would qualify as state projects and the state's foreign exchange reserves would pay for imported materials.

State-owned enterprises with offices in Shenzhen can evade paying commission to state-owned foreign trade corporations and can retain a bigger portion of their foreign exchange earnings.

The right to export directly without paying commission to the foreign trade corporation allows the enterprises to save a portion of their profits.

Import and export corporations charge seven per cent commission for transporting goods to the dockside.

Exporting enterprises operating directly can keep in closer touch with market trends and respond more quickly to new demands and opportunities.

State-owned enterprises in the Sez are allowed to retain most of their foreign exchange earnings. Factories outside the zone have to pay 90 percent of these earnings to the government, and are only allowed to keep 70 percent of the excessive earnings made from production above quotas.

The central government and the provincial governments running business in the Sez are in fact cashing in on these trade benefits, Shenzhen officials argue.

Over the years of its development the Sez has established more than 500 businesses in cooperation with central departments, provinces, municipalities and autonomous regions.

The Economic Performing of Shenzhen (1978 to 1985 -- Jan to June)

	1978	1979	1980	1981	1982	1983	1984	1985
							(Jan-June)	
Industrial & Agricultural output	1.7	1.4631	1.8924	3.4-4.7	--	8.7041		
Industrial output	0.6	0.6061	0.8444	2.4282	3.6212	7.2041	18.17	12.99
Agricultural output	0.87009	0.8570	1.048	--	1.35/1.41	1.5	1.15	--
Investment on infrastructure	--	0.4988	1.2497	2.7039	6.3265	8.8593	16.36	10.59
No of contracts signed	--	--	--	--	--	--	983	386
Foreign investments (in billion HK\$)	--	1.2	2.5	5.9	8.8	11.3	16.5	10.85
Local financial income	0.2	0.35	0.55	1.18/1.13	1.63	2.96	5.12	3.76
Local fore income	--	0.28	0.4747	0.40-0.61	0.5638	0.67	2.16	0.89
	1.17	1.48	2.2	3.5	5.54	12.51	20	10.83
unit: billion yuan								

CSO: 4020/297

HONG KONG MEDIA ON CHINA

PRO-SINGAPORE JOINT HOTEL VENTURE IN TIANJIN

HK020429 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD Supplement)
in English 2 Jul 85 p 1

[Article by Chito Santiago]

[Text] A 300-room four-star hotel will be built in Tianjin by Tianjin Travel and Tourism Corp in joint venture with Active Building and Civil Construction of Singapore, BUSINESS STANDARD learned yesterday.

Construction of the project, to be called Yan Yuan International Hotel, will begin "shortly". It will cost \$23.5 million, of which \$19 million will be raised in two separate loans under the names of the two partners.

The first loan amounting to \$9.5 million is being arranged for Active Building by BA Asia, the Hong Kong-based merchant banking subsidiary of Bank of America. The 10-year facility carries a spread of 1 percent over the Singapore interbank offered rate (SIBOR).

Two other banks, Industrial Bank of Japan and Lloyds Bank International, are joining BA Asia in this transaction, contributing \$3 million each.

Signing of this loan portion is scheduled in the middle of this month.

The other \$9.5 million credit is being arranged for Tianjin Travel by Bank of China's Tianjin branch. Terms and conditions for this part of the loan are not available.

Tianjin Travel and Active Building will provide the remaining \$4.5 million financing through equity participation.

Through these hotel projects, bankers are seizing lending opportunities in China in the wake of sluggish credit demand from elsewhere in the Asia-Pacific region.

They said that China, as a developing country, offers huge potentials to the banking community. Banks are eager to extend financing, but it is a question of China preventing a lopsided course in their development programs that controls the flow of funds into this country, they added.

Singapore-based companies have shown a growing interest in hotel investment in China. In February this year, the United Industrial Corp has entered into an agreement with China International Trust and Investment Corp, and Diaoyutai State Guesthouse to build a 400-room hotel in Diaoyutai compound in Beijing.

The project, to be known as Diaoyutai Grand Hotel, will be completed by 1988 at an estimated cost of \$40 million.

In the same month, Pung Toh Co of Singapore concluded an agreement to lease a 200-room hotel in Jiangmen in Guangdong Province of 30 years.

Pung Toh will carry out an interior renovation of the hotel, including a landscaped garden, conference rooms, restaurants, a business center, and sauna and beauty salon.

In addition, the Singapore company will install furnishings and fittings for the 200 rooms, and provide taxis and buses to meet the transport needs.

CSO: 4020/283

HONG KONG ECONOMIC TRENDS

ECONOMIC OUTLOOK FOR HONG KONG IN 1985

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 5, 27 May 85 pp 18-20

[Article by Wang Shilin [3769 0013 2651]: "Review of Hong Kong Economy and Trade in 1984 and Outlook for 1985"]

[Excerpt] II. Economic and Trade Outlook for Hong Kong in 1985

Because the "joint declaration" on the question of Hong Kong was officially signed in 1984 and because of the substantial growth of economy and trade, favorable factors for the continuous development of the Hong Kong economy and trade are expected to multiply in 1985.

First, Hong Kong has a bright future. Its people have been reassured and have more confidence in Hong Kong. Therefore, it is possible to arouse the enthusiasm of the personalities of all circles in Hong Kong for building Hong Kong, such as increasing investment, expanding production, increasing consumption and the competitiveness of products, expanding exports and strengthening the stability and prosperity of the Hong Kong market.

Second, the general trend for the world economy and trade is still upward this year. The economic growth of the United States and West Europe in particular is extremely favorable to Hong Kong because Hong Kong depends on exports.

Finally, Hong Kong has strengthened trade with mainland China. Last year, the mainland became the second largest export market of Hong Kong. The opening up of the coastal port cities and areas on the mainland has further promoted economic and trade relations with the Hong Kong area. Hong Kong entrepreneurs will increase their investment, the number of factories and sales on the mainland. Governments and entrepreneurs from all over the world will continue to increase investment and expand factories and operations in Hong Kong. In addition, they will try to enter the mainland market through Hong Kong.

Of course, there are also unfavorable factors in the economic and trade development of Hong Kong in 1985.

First, there are internal factors. Hong Kong still lacks long-term investment. This will not have any significant effect on this year's economy and trade, but it will affect future development. Although the real estate business began to pick up in the third quarter of last year, the supply and demand of new buildings are still out of balance. It will take another 1 or 2 years to consume surplus housing. To offset huge deficits, the Hong Kong government may adopt measures to increase taxes and fees. This will be unfavorable to future consumption. Last year the strong U.S. dollar propped up the Hong Kong dollar because they were linked. Comparing December with January of 1984, the weighted average of the exchange rate indices of the Hong Kong dollar was up 9.1 percent. It was up 15.1 percent compared to the pound sterling, 9 percent compared to the deutsche mark and 5.4 percent compared to the yen. This is unfavorable to the export of Hong Kong products to West Europe.

Second, judged by external factors, the slower economic growth rate and stronger protectionism of the western countries will have a definite impact on Hong Kong exports. Hong Kong exports 90 percent of its products. In particular, its exports to the United States and West Europe alone account for 60 percent of its products. Last year, 55 Hong Kong products were deprived the favorable treatment of the U.S. preferential tariffs. In September last year, the United States began to implement the "country of origin" regulations on textile imports. In other words, products which are not originally produced in Hong Kong are not allowed to be exported to the United States. This alone can cause Hong Kong to lose HK\$ 2.1 billion a year. In addition, the increasingly intense competition in Southeast Asia also have a definite impact on Hong Kong exports.

In sum, there are favorable and unfavorable factors for Hong Kong's economic and trade development in 1985. However, favorable factors are still the mainstay.

Therefore, in 1985 Hong Kong's economic and trade growth is still expected to maintain or be slightly lower than the 1984 level. According to general estimates, in 1985 Hong Kong's total output value will increase 7.5 to 8 percent; internal demand will increase from last year's 5 percent to 6 percent; the inflation rate will decline from last year's average of 8 percent to 6 percent; the demand for real estate will increase 3 percent; domestic and foreign investment and the tourist industry will continue to grow; the financial situation will improve; and money markets will continue to be stable and prosperous. Foreign trade may slow down mainly because of the reduction in the growth rate of exports to the United States. However, because exports to West Europe and mainland China will increase, trade in general will increase. It may or may not reach 1984's level.

12302

CSO: 4006/733

HONG KONG ECONOMIC TRENDS

PRC FOREIGN EXCHANGE RESTRICTIONS AFFECTING HONG KONG RE-EXPORTS

HK160339 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement)
in English 16 Jul 85 p 1

[By Peter Robinson]

[Text] Hong Kong's overall merchandise trade grew by 12 percent in the first five months compared with the same period a year ago as the strong surge in re-exports continued.

Figures from the Census and Statistics Department show earnings from re-exports closing fast on the value of domestic exports, which registered a fall of two percent from the level for January-May last year.

Re-exports soared 45 percent to reach \$44.3 billion against domestic exports valued at \$49.45 billion.

Imports were up eight percent at \$93.01 billion to lift the overall trade figures for January-June to a total of \$186.76 billion.

However, foreign exchange restrictions in China are likely to start biting into re-export growth, which could leave imports the only growth sector.

Perhaps the blackest news is the performance of Hong Kong's exports to the crucial U.S. market.

These were down five percent in the first five months compared with the same period last year.

Even exports to the United States in high-technology sectors like office machines and data processing equipment declined, showing a fall of 36 percent, or \$754 million.

Sales to the American market of telecommunications and sound and recording equipment were down by \$492 million, or 26 percent.

Increases were recorded in other exports to the United States. Sales of clothing were up \$448 million or five percent, watches and clocks \$85 million, or seven percent, and power generating equipment \$30 million, or 28 percent.

Exports to China showed large increases in most sectors. The star performer was office machines and data processing equipment--up \$814 million, or 1,186 percent.

However, more recently many high-technology firms in Hong Kong have been reporting large stockpiles of equipment, because companies in China cannot obtain the necessary foreign exchange for purchases.

Exports to China of telecommunications and sound recording and reproducing equipment rose \$679 million or 131 percent.

China also bought more electrical machinery and parts. Sales increased \$341 million, or 171 percent.

On the debit side, China took fewer textiles (down \$117 million, or 13 percent) and less animal feed (down \$24 million, or 63 percent).

Sales of clothing to the UK fell by \$223 million, or 14 percent. The value of British purchases of telecommunications and sound recording and reproducing equipment was down \$103 million, or 45 percent.

West Germany also bought less clothing from Hong Kong, with exports down \$509 million, or 24 percent.

The story was similar in Japan where exports of clothing fell by \$104 million, or 47 percent.

German purchases of telecommunications and sound recording and reproducing equipment dropped by \$111 million, or 47 percent.

Increases in exports to West Germany included metalliferous ores and metal scrap (up \$46 million, or 146 percent) and watches and clocks (\$32 million, or 16 percent).

Hong Kong purchases of telecommunications and sound recording and reproducing equipment from Japan rose \$1.28 billion, or 70 percent.

CSO: 4020/293

HONG KONG ECONOMIC TRENDS

HONG KONG TRADE UNIONS AIM TO FORM GROUP ON BASIC LAW

HK210512 Hong Kong HONG KONG STANDARD in English 21 Jul 85 p 1

[Text] Unionists are working on the formation of a joint conference which will incorporate all 393 labor unions in Hong Kong to discuss the basic law.

The conference also aims at choosing its own representatives for the consultative committee.

If the idea materializes, it will be a significant step towards the cooperation of labor unions.

Representatives of more than 20 labor unions had an initial discussion on the setting up of a joint conference on Friday night.

It is expected that a list of conveners will be finalized at the meeting next Friday and invitations will be sent to all unions in two weeks' time.

The chairman of the Hong Kong Trade Union Education Center, Mr Lee Kai-ming, said that since many individual unions have already formed special committees on the drafting of the basic law, it would be a good idea to link up these groups so that the opinions of the labor sector could have a common ground.

Mr Lee, who is one of the conveners, said he hoped that the conference would include unions with different political ideas but he did not anticipate any conflict of interests.

Speaking to reporters after the center's annual general meeting, Mr Lee said that the labor sector should have more than 10 seats in the consultative committee so that unions with different political views and representing different sectors could be included.

He said as there are only two representatives from the labor field, Mr Szeto Wah and Mr Tam Yio-chung, in the drafting committee, the consultative committee should at least have more seats.

Meanwhile, the chairman of the Federation of Civil Service Unions, Mr Wong Wai-hung, who is another convener of the joint conference, said that the conference would be a permanent body until the drafting of the basic law has been completed.

He said that the conference could systematically collect labor unions' views on the future legislation and would look into matters such as the future political system and the relationship between Hong Kong and China.

Talking of the work of the Hong Kong Trade Union Education Center, Mr Lee said it would try to establish contact with the Asian office of the International Labor Organization (ILO) in Bangkok and seek information on labor union education.

The center will also work out at the next meeting on what channels to go through and how to express their opinions to the Chinese government on retaining the 49 ILO conventions which now apply to Hong Kong.

At a meeting with legal experts of the ILO in Geneva in June, local unionists were told that Hong Kong will continue to benefit from its connection with ILO even after 1997 as long as China honored the Sino-British joint declaration.

Mr Lee said that the center will figure out at its next meeting how it would present its views on various issues to the Chinese authorities.

Meanwhile, another joint conference on basic law is now in the pipeline--this one formed by local political groups. Thirteen political groups held a special meeting yesterday to discuss the formation of the conference.

After the meeting, the vice-chairman of Meeting Point, Mr Yeung Sun, said that the aim of the joint conference is to assist the consultation process in the drafting of the basic law.

He said that they would inform the local XINHUA NEWS AGENCY on the new formation after they had worked out the concrete structure of the conference.

Meanwhile, the groups plan to hold a seminar to discuss the constitution of the consultative committee after Hong Kong members of the Basic Law Drafting Committee hold their second meeting on August 20 here.

CSO: 4020/293

HONG KONG ECONOMIC TRENDS

EXPORTS TO ASIA-PACIFIC REGION UP 26 PERCENT

HK150312 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 15 Jul 85 p 3

[Article by Paul Baran]

[Text] Hong Kong's domestic exports to countries within Asia, Australia and Oceania in the first four months of the year totalled \$10.4 billion, up 26 percent from the previous period's \$8.2 billion.

Figures supplied by the Hong Kong General Chamber of Commerce also show re-exports rose 47 percent to \$34.9 billion.

Total exports to China led the value list, which grew to \$21.7 billion during the period, a 139 percent gain on the year-ago period.

China was also Hong Kong's second largest supplier, after Japan, with sales of \$16.5 billion, a drop of three percent on the year-ago period.

The chamber's figures show imports from Asia, Australia and Oceania during the period rose to \$53.1 billion, up 11.3 percent on the year-ago period.

Hong Kong's second biggest customer was Japan, which bought \$3.2 billion of goods, up 12 percent on the year-ago period.

Although exports of garments and accessories led the value category, with sales of \$371.6 million, the figure represented an 11 percent fall over the year-ago period.

Second highest category by value was miscellaneous manufactured items, including jewelery, which gained 10 percent to \$284.7 million.

Imports from Japan were dominated by telecommunications and sound recording equipment, which soared 83 percent to \$2.6 billion.

Japan--Hong Kong's largest supplier--sold \$18.5 billion worth of goods to the territory up 19 percent on a year ago.

Overall trade with Japan rose 18 percent.

Although Singapore took third spot, its \$2 billion of local imports accounted for a 16 percent drop in value.

Singapore's exports to Hong Kong of petroleum and related products worth \$1.7 billion headed the value list, but represented an eight percent drop against the same period last year.

Hong Kong's major exports to Singapore were textile yarn and made-up articles, which totalled \$127.9 million, down 24 percent on a year-ago.

Overall trade with Singapore fell four percent, with the Lion City enjoying a \$1.7 billion surplus.

Four-ranked Australia's imports of \$1.4 billion, were down six percent, while the country's exports to Hong Kong fell by a similar level to \$958.1 million.

Australia's exports were dominated by coal, coke and briquettes, which hit \$185 million in the period, a drop of three percent.

The country, however, scored a 225 percent rise in exports of office machines, exporting equipment worth \$25 million.

Imports from Hong Kong were led by apparel and accessories, which rose 18 percent to \$292 million, with the biggest percentage loss coming from the telecommunications sector, in which sales of clock radios fell 55 percent to \$9 million.

Hong Kong's trade surplus with Australia was pared 22 percent to \$450 million.

Exports to South Korea rose six percent to \$1.2 billion during the period, but imports from the country rose a whopping 47 percent hitting \$3.08 billion.

As a result, South Korea's trade surplus with Hong Kong more than doubled to \$1.8 billion.

Exports to South Korea were dominated by textile yarn and made-up items, which rose 56 percent to \$34.7 million in the period.

Imports from the country were also led by the same category, with a three percent climb to \$914.2 million.

Overall trade with South Korea rose 32 percent to \$4.3 billion.

CSO: 4020/302

HONG KONG ECONOMIC TRENDS

PAPER REPORTS ON MODERNIZATION OF KNITWEAR INDUSTRY

HK220511 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement) in English
22 Jul 85 p 1

[Article by Ernie Pereira]

[Text] Hong Kong knitting factories have invested \$200 million in ordering 600 computerized knitting machines from Japan and will be able to make their own panels soon.

Training workers in the use of these machines has already begun and will gather momentum, according to Mr Herbert L. S. Cheng, manager of Clothing Industry Training Authority's [CITA] Kowloon Bay Training Centre, which is providing such training.

Mr Cheng said he was optimistic that Hong Kong would be able to make its own panels and fulfill the new U.S. country-of-origin requirements.

The new rules affected the import of China-knitted panels which were made up into finished garments here for export to the U.S., our main market for knot exports.

It takes about eight weeks to train one worker to make the switch from manual panel-making to operating computerized knitting machines. Workers, who already know the techniques of power flat knitting, can even make the switch quicker, Mr Cheng said.

The computerized machines are ordered from Japan because delivery is faster, taking six months, as compared with delivery from Germany which takes 18 months or more, Mr Cheng explained. One machine costs about \$300,000.

CITA has acquired a computerized machine from the Japanese Shima Seika Manufacturing Co on loan, free of charge, to train local workers.

Demand for local workers in the knitwear industry had fluctuated in the past few years because many manufacturers had moved their production lines for knitted panels to China.

But, the new U.S. origin rules have changed the situation dramatically, creating job opportunities for youngsters wishing to work in the knitwear industry.

Most of the big knitting factories, such as Laws Fashion Knitters, Milo's Garments, Fang Brothers Knitting and Peninsula Knitters, have already ordered these computerised machines.

The machines are equipped with computer tapes, called the "brain," which enables the machines to knit the panel patterns. "This is like a video tape recorder," Mr Cheng explained, and Hong Kong workers are quick to make the adaptation from manual work to computer.

Until the entire knitwear industry is more fully geared to computerised knitting, knit factories have still to rely on hand-knitting and there is a shortage of both skilled and unskilled workers to do this, knit factories told BUSINESS STANDARD.

When China was making the knit panels for Hong Kong, an estimated 80,000-1,000,000 workers were used for making panels.

The key point in the U.S. stance on the rules of origin was that since China labour was used to making this essential part of the garment, the knitted goods had to come under China quotas and could not be considered a Hong Kong-made garment.

Hong Kong's case was that the China-made panels did not represent any substantial transformation of the garment, since the panels could not be re-tailed alone, as no one would buy them. However, Hong Kong's plea fell on deaf ears in the U.S. whose new origin laws became effective in April this year, forcing Hong Kong knit factories to find alternatives in making panels.

Hong Kong still uses some China-made panels which are subsequently turned into garments here for shipment to the European Economic Community (EEC) whose members have not followed the new U.S. origin rules. The EEC recognise Hong Kong knits, with China-made panels, as Hong Kong goods.

Panel-making, Mr Kenneth Fang, managing director of Fang Brothers, said, is one of 25 steps in making knitted sweaters or cardigans. Some of the other important steps include winding the yarn, overlocking, looping and cuff and welt stitching.

It is known in the knit industry that looping, which is the joining together of the cut panels to form the cardigan, is very important. Workers involved in this process must have at least two years experience to become sufficiently skilled in the work.

Last year Hong Kong's sweater exports to the U.S. totalled \$1.9 billion, but the industry initially hit by the new U.S. origin rules, sweater exports, both in value and quantity, have dropped this year.

But, as knit factory managers say, "The Hong Kong garment industry was not built in a day," and the investments in computerized knit machines underscore the fact that the industry is confident of its future.

U.S. buyers, on the other hand, still rely on Hong Kong as one of the main suppliers of knitted garments. So any reversal to the industry is only temporary, these managers stress, pointing out that once the full transition is made from manual to computerized knitting, the knit industry will pick up.

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HONG KONG ECONOMIC TRENDS

HONG KONG BANKS CUT PRIME RATE BY ONE PERCENT

HK140424 Hong Kong HONG KONG STANDARD in English 14 Jul 85 pp 1, 4

[Article by Tony Measor]

[Text] Hong Kong banks yesterday dropped interest rates by a full one percent.

The announcement by Hong Kong Bank and Standard Chartered Bank said prime lending rates as from tomorrow will be lowered to seven percent from eight percent.

Not very many borrowers are entitled to prime rates but the pattern goes right across the board with most of them benefitting from a one percent cut in their overdraft rate from tomorrow.

Deposit rates were not slashed quite so sharply and interest on savings accounts will now be conceded at 2.25 percent from last week's three percent.

In its statement, the Hong Kong Association of Banks gave the strength of the Hong Kong dollar as the reason for the cut, particularly when the U.S. dollar, to which the Hong Kong dollar is peg-linked, is under pressure on international exchange markets.

Whatever the reason, Hong Kong will be elated at this latest move which will take another notch off inflation and will assist manufacturers and exporters in promoting Hong Kong's products.

Homebuyers will also give a leap for joy at the quite impressive difference this will make to home purchase loan repayments, and the reduction may be expected to add further impetus to the already buoyant demand for new homes.

It will not come as a surprise if on Monday the stock market follows the lead and pushes share prices up higher.

The timing of this announcement of a cut to seven percent comes almost exactly a year after panic had pressed the authorities into raising the prime rate to 17 percent.

At that stage it represented a premium of four percent over the then U.S. prime rate of 13 percent. It was imposed to stem the outflow of funds due to the public lack of confidence in Hong Kong's future.

Yesterday's cut puts the Hong Kong rate at 2.5 percent discount below the U.S. prime rate of 9.5 percent, and the main reason for this high disparity is given as being the lack of confidence in the U.S. dollar.

Whilst the existence of the link between the Hong Kong and U.S. dollars remains effective at HK\$7.8/US\$1, arbitraging by banks would have become attractive if the Hong Kong dollar had strengthened much further beyond \$7.755 and that could have proved an expensive burden on Hong Kong's exchange reserves.

Recent exceptional reasons for the influx of money have been the strength of the Hong Kong stock market, an incentive which should now be given more fuel by the lower interest rate, and the return of refugee capital now reassured of stability at home after fleeing overseas during the hysteria of the pre-Joint Declaration, a confidence unlikely to be shaken.

The reduction is intended to encourage large depositors to switch their accounts away from Hong Kong dollars into other currencies.

But with the U.S. dollar still looking rather shaky, and all of Hong Kong's deposits would, in any case, make scant impression on that elephant economy, and with sterling's recovery surely nearly spent, there is no certainty that the reduction will achieve that purpose.

Japan's interest rates are still lower than Hong Kong's.

The Hong Kong Association of Banks, the bankers' union, lays down maximum interest rates which members may pay on deposits. It graduated the scale of rates when setting its new levels to make longer-term deposits relatively more attractive.

It stands to reason that while interest rates are considered to be high a depositor will seek as long a period as possible for his advance so as to lock in to the higher rate, even if the rates fall as he fears.

However, when the public considers that interest rates are low it will tend to keep its lending as short-term as possible so as not to miss out when the money market goes higher. If the investor is committed to a low interest while it is temporarily low he will miss out on better opportunities as rates rise.

It is now possible for a depositor to obtain 3.5 percent on his money left in the bank for a period of a full year. However, even this may seem not to be compellingly attractive to all depositors.

Few borrowers are able to obtain funds from their bankers at rates as low as prime, with 1.5 percent above prime a common rate for medium-sized

industrialists. If a bank can now lend at 8.5 percent there really seems to be no reason for him to begrudge paying 3.5 percent to borrow.

While this difference may seem to be tremendous it is all the play between these maximum and minimum rates which keep the banking industry active and make this one of Hong Kong's most exciting industries.

Of course, if you are not content with 3.5 percent on your money you will find that DTCs [Deposit-Taking Companies], the official title for what used to be called finance companies, will probably pay you better, especially if you have a larger sum of capital.

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